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FINANCIAL TIMES

Weekend August 20/August 21 1988

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WORLD NEWS

Suspicious grow over Zia's death

The Pakistani Government believes that President Zia ul-Haq's death in an air crash was part of a plan to halt the country's growing military intervention in Afghanistan. Suspicion has fallen on the Khad, the Afghan intelligence services, with support from within the Pakistani security forces. However, acting President Gulistan Khan said that Pakistan's Afghanistan policy would not be changed. **Back Page**

Warning to Britons

The Foreign Office warned Britons not to visit the Srinagar, Kashmir, following reports of violent disturbances in the capital city. An indefinite curfew and a shoot-on-sight order are in force.

WPC loses eye in blast

A policewoman lost the sight of an eye after she was caught in an IRA bomb explosion in Co. Fermanagh. The IRA claimed responsibility for a 20lb car bomb which exploded at an hotel in Co. Down causing £750,000 worth of damage.

US admits 'mistakes'

US Defence Secretary Frank Carlucci said that mistakes by crew members on the US Navy cruiser Vincennes contributed to the shooting down of an Iranian airliner in the Gulf, killing 290 people. **Page 2**

EC appeal for Mandela

The European Community appealed to South Africa for an immediate and unconditional release of jailed African National Congress leader Nelson Mandela. **Page 10**

Bomber releases troops

A car rigged with 220lb of explosives, which was being driven towards an Israeli convoy in south Lebanon, exploded just before reaching them, killing the driver.

Hess anniversary moves

Hundreds of extreme right-wing supporters of Hitler's deputy Rudolf Hess can gather at his grave to mark the first anniversary of his death, a West German court ruled.

Polish unrest grows

Gdansk shipyard threatened to join the growing wave of unrest throughout Poland, as striking workers demand recognition for the banned trade union Solidarity. **Page 10**

500 'die in explosion'

A rocket attack which set off an explosion at a Soviet munitions dump in north Afghanistan killed at least 500, a West-ern diplomat said.

KGB chief replaced

The head of the KGB state security police in Soviet Azerbaijan has been removed and replaced by an ethnic Russian, the Communist Party newspaper Bakinski Rabochi reported.

Ship bomb threat

A threat has been made to blow up a Yugoslav freighter, sailing across the Atlantic to Canada, unless a \$470,000 ransom is paid, the Canadian Coast Guard said.

Air chaos fear recedes

Spanish air traffic controllers, who threatened to strike over the Bank Holiday weekend, are believed to be close to calling off their action.

Sir Frederick Ashton

Sir Frederick Ashton, founder-choreographer to the Royal Ballet, died at his Suffolk home. He was 83. **Obituary, Page XV**

Piggott's wife in fall

Susan Piggott, 47, wife of jailed former jockey and trainer Peter Piggott, was seriously injured after a riding accident on Newmarket Heath, Suffolk.

High radiation honey

Government checks since the Chernobyl accident have revealed high levels of radiation in honey produced in North Yorkshire.

BUSINESS SUMMARY

Investors to lose some safeguards

LEGISLATION that gives investors an automatic right to compensation for losses suffered when the rules are breached is to be eased. Under plans published yesterday, firms which take "all reasonable steps" to keep to the rules will be able to reject claims from professional, business and experienced investors. Other, inexperienced private investors will retain their original rights. **Back Page**

LONDON SHARES

weathered a deluge of UK and US economic statistics and the week brought improvements

FT Index	
Ordinary Share (hourly movements)	
1490	1485
1485	1480
1480	1475
1475	1470
1470	1465
1465	1460

for gilts and equities. The FT Ordinary index reached a high of 1,495.5 yesterday, but eased to close at 1,484.5. **Page 12**

SAS's plan to buy a 40 per cent stake in state airline Aerolineas Argentinas is in trouble because Argentina's Peronist party opposes the deal. Congressional approval is required for the plan and the Peronists have a majority in the upper house. **Page 10**

FITZWILTON, Dublin-based industrial investment company headed by US Heinz group chief Tony O'Reilly, is buying 85 per cent of the Manchester-based Roy Hall cash and carry business for an initial 26.8m cash. **Page 10; Lex, Back Page**

STOCK EXCHANGE chairman Sir Nicholas Goodison warned against protectionism in Europe as the EC moves towards a single market. **Back Page**

SPAIN's economic team will have to raise its 1988 inflation target because of bigger-than-expected price rises in July. The consumer price index rose by 1.3 per cent. **Page 2**

SCOTTISH HERITABLE Trust, York-based industrial and property group, added to its US acquisitions with the \$8.13m (\$4.78m) purchase of a 28.14 per cent stake in Texas-based Bangor industrial concern. **Page 5**

S & W BERKSFORD, sugar property group, offered through its Swiss Erlanger Commercial arm to buy all the preferred shares in Billingsgate City Securities, a single-asset company which owns a City office building. **Page 8**

ALGEMENE BANK Nederland, the Netherlands' biggest bank, increased first-half earnings by 18.5 per cent to Fl 306m (\$94m), due mainly to lower taxes and reduced bad loan provisions. **Page 10**

LIBERTY LIFE, South Africa's third-largest insurer, raised its interim pre-tax income to R1.15bn (£276.2m) in first half compared with R930m a year before, but is cautious about the outlook because of new taxes on life office profits. **Page 10**

HANG SENG Bank, subsidiary of the Hongkong and Shanghai Banking Corporation, reported attributable first-half profits of 77.1 per cent up on HK\$483.6m (£96.2m) after transfers to loan reserves. **Page 10**

SREKOVIC GROUP, UK textile company launched on the USM 7½ years ago, has paid £1m for licensee Floral Textiles. **Page 8**

AIE UK, independent airline, brought in slightly lower taxable profits of £2.55 (£2.68) last year. **Page 4**

Inflation rate rises to 4.8% with no sign of break in upward trend

By Ralph Atkins, Economics Staff

BRITAIN'S annual inflation rate last month was the highest for 2½ years and there is no sign of a early break in the upward trend, according to official figures yesterday.

The Department of Employment said retail prices increased by 4.8 per cent in the 12 months to July, the largest 12-month rise since February 1986.

Higher mortgage rates mean the annual inflation rate will almost certainly rise to more than 5 per cent this year. Some City analysts think it could be as high as 5.8 per cent.

July's figure was in line with expectations. It followed statistics during the week which highlighted the economy's exceptional growth and resulting inflationary pressures.

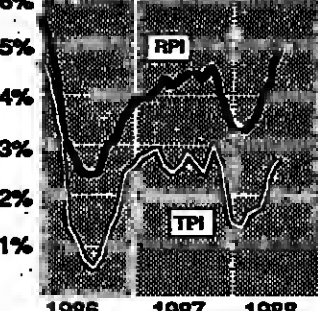
This has intensified speculation that Mr Nigel Lawson, Chancellor of the Exchequer, will order further rises in base rates - perhaps to 12 per cent or more, compared with the current 11 per cent.

Money supply figures on Thursday showed bank and building society lending rose to a record £38m last month while a steep fall in unemployment figures pointed to a tight labour market. Retail sales and industrial output figures on Monday suggested no let-up in strong economic growth.

The Treasury yesterday said

Prices & Taxes

Change over previous year



the week's figures were broadly in line with its assessment of monetary conditions before the 3½ percentage point rise in base rates since May. It expects it will take some time for the effect of the higher cost of borrowing to work through.

The monetary authorities are likely to have been encouraged by the apparent continuing strength of the pound. This may have eased pressure for a swift interest rate rise.

In spite of large dollar movements, sterling's value dropped only slightly during the week. In quiet London trading yesterday it strengthened against the dollar but fell against the D-Mark.

Share prices were unsettled

Jaguar to cut 1,200 jobs

By John Griffiths

JAGUAR is to eliminate 1,200 jobs over the next three years. At the same time, the luxury car maker plans an "interim revolution" in its management processes, Sir John Egan, chairman, said yesterday.

The job cuts among its 32,000 workers would be achieved through natural wastage, he said. "Senior has been hit, like all European luxury car makers, by the recession in the US market. Its US sales have fallen to about 11,900 units in the first seven months of this year from 12,100.

However, so far it has been able to compensate for this by increasing UK and other markets. UK sales in the first half rose 32 per cent to 7,680 units, and world sales were up 11.5 per cent.

Sir John said the intention of the job cuts was to take the company closer to its target of producing six cars per man-year - about the same level as

Deimler Benz - by the early 1990s and to increase cost-effectiveness. Currently, the company's productivity is producing about 4.5 cars per man-year.

He said Jaguar would produce about 54,000 cars this year - well up on the 48,000 of last year - but acknowledged that the current downturn in the US luxury car market meant that Jaguar was most unlikely to achieve its previously-stated target of 60,000 cars next year.

Jaguar hopes to hold its US sales at last year's level of 20,000 units, even though profitability will be lower because of the strength of sterling against the dollar.

"Each 10 cents the dollar is costing us £28m off the bottom line," Sir John said.

However, he made clear that Jaguar was not opposing the UK Government's policy of high interest rates to curb domestic demand, with its effect of boosting sterling. Rather, he said, Jaguar

viewed the situation as a productivity and costs challenge to which the UK industry had to rise in the same manner as the Japanese industry had already counteracted the sharp rise in the Yen.

Offsetting the export problems, Sir John said, was the Government's creation of "an enormous affluence increase" in the UK itself. "That has allowed us almost to double sales in the UK in the past couple of years, to probably 14,000-15,000 units."

Sir John said neither unions nor shopfloor workers were putting up serious obstacles to improved productivity and cost-effectiveness.

His comments were made only a week before Jaguar is to announce its interim results. Most analysts expect a further reduction in its pre-tax profits, to around £30m compared with £45.7m in last year's first half. Depressing figures for domestic producers, **Page 4**

Bush to stand by Quayle until war claim is checked

By Stewart Fleming and Lionel Barber in New Orleans

MR GEORGE Bush, US Vice-President, has decided to stand by Senator Dan Quayle of Indiana, his running mate for November's presidential election, until campaign managers have investigated the charge that Mr Quayle joined the National Guard to avoid service in the Vietnam War.

Mr Bush's selection of the little-known Republican senator and the ensuing controversy have dashed his hopes of leaving New Orleans in triumph and handed Governor Michael Dukakis, his Democratic rival, an unexpected bonus.

The controversy has left a question mark over the future of Mr Quayle, who has admitted using wealthy family connections to join the National Guard, which served in the US.

Mr Bush hit the campaign trail with Mr Quayle yesterday after delivering what was widely acclaimed as the best speech of his career to a Republican convention shaken by the controversy.

In a demonstration of support for Mr Quayle, the Vice-President stuck to plans to open his campaign in Mr Quayle's home town of Huntington, Indiana.

In his speech accepting the Republican presidential nomination, Mr Bush vowed in the strongest terms to date never to raise taxes.

He promised that one of his principal goals would be to try to better Mr Reagan's achievements by creating 30m jobs if elected for two four-year terms.

The Vice-President, in a glowing tribute to the economic policies of the Reagan Administration, made no reference to the \$150bn (£88bn) Federal budget deficit which many economists believe can be reduced only by cutting spending and raising taxes.

Mr Bush for the first time moved forcefully to define how his political philosophy differed from Mr Reagan's and hinted at new social priorities.

"Let's be frank, things are not perfect in this country," he told his audience as he signalled his recognition of the nation's desire for cautious change. Mr Bush spoke of the need for better education and a stronger commitment to ending racial bigotry.

Echoing themes struck by his Democratic opponents, he attacked influence-peddling in Washington, graft in local government and greed on Wall Street.

The limited polling data available yesterday gave little indication of the impact of the Quayle controversy on Mr Bush's election campaign.

A USA Today/CNN poll based on interviews on Wednesday and Thursday put Mr Bush and Mr Dukakis neck and neck, a strong comeback for the Vice-President. The poll has him leading by 45 per cent to 44 per cent. Before the convention, most polls showed Mr Bush about 10 points behind.

Quayle in presidential footsteps, **Page 2**; George Bush stumbles in the limelight, **Page 6**

GrandMet launches fresh bid for Irish Distillers

By Lisa Wood in London and Kieran Cooke in Dublin

THE BATTLE for control of Irish Distillers took a fresh twist yesterday with Grand Metropolitan, the UK drinks group, launching a new bid valuing the world's sole producer of Irish whiskey at £258m (£211m).

Irish Distillers said it had received a number of approaches and would make a considered response on Monday.

GrandMet is offering £4 per share in cash or guaranteed loan notes. That compares with a closing price for Irish Distillers shares last night of £3.90, up 20p.

The GrandMet bid was launched only hours after the UK Takeover Panel gave approval even though GrandMet had been a member of GC & C Brands, the consortium which made the original £2.15 per share hostile bid for the Irish company in May.

The attitude of the Irish Government will be critical. For several weeks the Irish Fair Trades Commission has been assessing whether the GC & C Brands offer contravened Irish monopolies legislation.

The commission is now likely to be asked to examine the new bid. Judgment on this will not necessarily come ahead of the September 12 offer closing date.

The consortium was forced to close on **Page 20**

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Time called on licensing laws

By Lisa Wood

MR PATRICK Mangham, licensee of The Aristocrats public house just off Oxford Street, in London, said yesterday he has had little luck with his preparations for Monday's revolution in the licensing laws, when all-day drinking comes to England and Wales.

In anticipation of opening his pub for up to 12 hours a day, he has been advertising for two extra full-time bar staff for the past three weeks.

So far, Mr Mangham, who has pulled pints for 40 years, has had no luck, despite offering substantially more than the £1.16 minimum hourly rate for non-residential bar staff.

It is a problem he will share with many publicans, particularly those in the south-east, where a shortage of bar staff is likely to be exacerbated by longer opening hours and the probable need to introduce shift working.

From Monday, pubs in England and Wales will be allowed to stay open from 11am to 11pm from Monday to Saturday, and for an extra

hour, until 3pm, on Sundays. At present pubs can open for up to nine or 10 hours a day depending on their location, but they have to close between 3pm and 5.30pm, Monday to Saturday, on Sundays closing time is 2pm.

The National Licensed Victuallers Association, which represents 30,000 pub tenants in England and Wales, said yesterday: "A lot of our more experienced licensees are realising they will have to pay more to attract the right kind of staff."

The industry employs about 260,000 people in the UK. The Brewers Society estimates that the longer opening hours could create up to 25,000 jobs - a forecast it used to some effect with the Government in lobbying for changes.

Licensees reckon it will take a couple of months before they can assess the impact of longer hours on their staff needs and on sales - and hence prices.

"We are all waiting to see what happens. The whole event could be a damp squib," the Licensed Victuallers Association said.

What is certain is that not all the 65,000 pubs in England and Wales will open all day on Monday. Estimates range from the Bass subsidiary which operates in the affluent south-east, reckons about 90 per cent of its pubs will experiment with longer hours.

Joshua Tetley, an Allied-Lyons subsidiary based in Leeds, estimates that 85 per cent of its managed pubs and 40 per cent of its tenanted pubs will open for 12 hours on Monday.

The current licensing laws were introduced during the First World War to keep munitions workers out of the pubs. It contributed to a downturn in per capita consumption of alcohol in Britain.

Fears that unemployed people in particular, office workers and the dwindling ranks of manual workers in contemporary England and Wales will engage in a fresh swirl of beer drinking because of longer hours have, none the less, been expressed by a variety of organisations, particularly

Continued on **Page 20**

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Weekend FT



The Beetle empire

Andrew Fisher traces a half century of Volkswagen history **Page 1**

Finance

Mortgage interest rates are poised to rise - perhaps as high as 15 per cent **Page V**

Travel

Coastal pleasures in Wales, the Camargue and North Norfolk **Page VII**

Special report

Two pages of reports on career guidance and courses **Pages X, XI**

Himalayas

1988 has been a good year for British mountaineers climbing in the Himalayas. Peter Gillman sums up their achievements **Page XII**

Arts

Our critics describe the comings and goings of the Edinburgh Festival **Page XV**

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FT20/88

OVERSEAS NEWS

Threat of more strikes if Solidarity not recognised

WORKERS at the Lenin shipyard in Gdansk, the cradle of Solidarity, threatened yesterday to join a wave of unrest by more than 13,000 workers in Poland if the banned trade union was not legalised...

southern coal mines and at the port of Szczecin, situated about 250 miles north west of Warsaw. PAF said bus and some tram drivers were on strike in Szczecin, gateway for most of Poland's coal exports...

probably declare a strike in the whole Gdansk region. "The men want to strike immediately," Mr Walesa, who is an electrician at the shipyard, said. The yard employs about 12,000 men.

Quayle in presidential footsteps

Nancy Dunne traces the history of the US National Guard

AS A former National Guardsman, Senator Dan Quayle, the Republican vice-presidential candidate, is in illustrious company. The Guard, which is similar to the UK's Territorial Army Volunteer Reserve, has numbered many Medal of Honour winners...

its members have been among the first sent into action. About 480,000 men now serve in the Army Guard, which has a budget of about \$2bn a year, and 113,000 fly with the Air Guard, with a \$2bn-a-year budget.

Quayle, however, was accepted and served as an information specialist from 1969 to 1975, rising to be a specialist 5 - one who climbed through five ranks.

thereafter, including that in Grenada. Early in the century an air National Guard began to form. During the 1970s, as the US entered the era of the volunteer army, the Defence Department developed a Total Force Policy and began to train Guardsmen to supplement the regular troops with the most modern equipment available.

Rafsanjani warns of renewed conflict

By Tony Walker

IRAN'S military chief, speaking on the eve of the Gulf War ceasefire, has warned of renewed conflict with Iraq. "We are taking the path of peace, but we don't think the road to war is closed," he said.

Politburo criticises Soviet farm managers over harvest failings

By John Lloyd in Moscow

THE POLITBURO, the top decision-making body of the Soviet Communist Party, met in the middle of the summer holiday to castigatory leaders, managers and ministries for "serious shortcomings" in this year's harvest.

The bad weather is not being accepted as an excuse, however. In a recent editorial, Pravda asked sarcastically, "Is weather so rare?" and called for better harvesting methods.

chase of grain, meat, milk, potatoes and other farm produce, and encourage the development of contract farming and lease holding to increase the output of meat and milk.

N Korea to ease line on US troops

By Maggie Ford in Pannunjom, North Korea

TALKS between the two Koreas continue today in this border village after the first meeting for two years yesterday failed to close gaps on a range of issues.

Spanish prices rise sharply

By Tom Burns in Madrid

PRICE RISES in July, which were far sharper than expected, have forced Spain's economic team to revise upwards its 1989 inflation target and prompted expectations of a short-term rise in interest rates.

month showed it was caused largely by a considerable rise in the food component. Until last month food prices had shown a downward trend while the underlying, non-food, inflation indicators remained high, with an accumulated increase that has exceeded substantially over the 4 per cent level.

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US admits Iran Air 'mistake'

By David Gardner in Mexico City

THE US admitted yesterday that new members of its navy contributed to the shooting-down by the ship of an Iranian airliner over the Gulf last month, Reuter reports from Washington.

Mexican opposition steps up protests over polls

By David Gardner in Mexico City

MEXICO'S broad left opposition coalition, led by Mr Cuauhtemoc Cárdenas, has three new protest rallies in Mexico City and signs that the Government is hardening its position against reviewing the results of the disputed presidential and congressional elections last month.

demands coalition registered Mr Muñoz Ledo as a candidate with slight variations of his three Christian names and two double-barrelled surnames, allowing the electoral authorities to claim that his votes have to be counted separately.

Danes to trim public sector

By Hilary Barnes in Copenhagen

PLANS for a more efficient and slimmer government sector have been published by the Danish government.

USX sale of steelworks to Iraq opposed

By Martin Stambrook in New York

OPPOSITION is mounting to the plan by USX, the largest US steel producer which also owns the Marcegaglia oil company, to sell its last-kept steelworks in Baytown, Texas, to Iraq.

Argentina seeks Tokyo funds

By Stephen Fidler, Euromarkets Correspondent

AN Argentine delegation led by Treasury Secretary Juan José Álvarez is expected to visit Tokyo next week in an attempt to secure financial support from the Japanese Government.

Israeli crackdown

By Martin Stambrook in Jerusalem

A fresh wave of arrests is expected in the West Bank and Gaza Strip, following the banning of all "popular committees", writes Andrew Whitley in Jerusalem.

On tour in the Imam's land: still a royal experience

Edward Mortimer visits Iran and finds its splendour untarnished by revolution and war

TEN YEARS ago nothing would have caused less surprise in the streets of Isfahan than a party of foreign tourists, cameras at the ready, shuffling along behind their guide, from the Ali Qapu palace to the Royal Mosque, with some straying into the bazaar and being chivvied back onto the high road of Safavid Persian culture.

Last week, however, we were the object of considerable curiosity, especially the Americans among us. Reactions varied from open enthusiasm ("So is the embassy open again? Can you help me get a visa?") through blank bewilderment to hints of hostility.

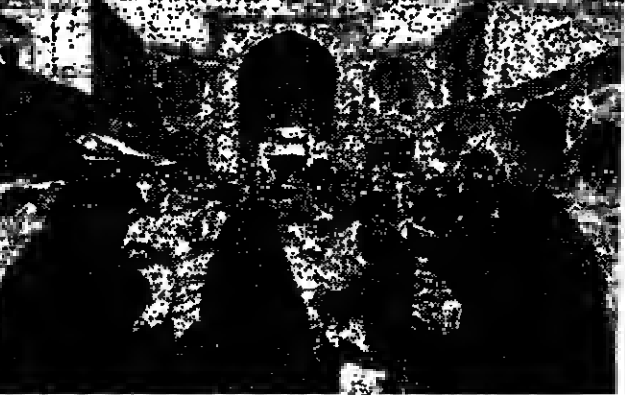
Iran's image in the outside world, especially the West, and it would only require one ugly incident in the Isfahan bazaar to make it all useless or worse. They did not actually forbid us to go into the bazaar but some how the tour of the mosques managed to coincide exactly with the hours when the shops were open.

The locals knew about the conference - vaguely, it had been shown on television and featured in the papers. Some were puzzled by it, though, even impatient. "How long is this conference going on?" one old woman asked. "Have they invited Iraq, too?"

the revolution and lavishly decorated in neo-Persian style. It included a long room, divided down the middle by a zig-zag flat-topped counter, for the Islamic Republic emphatically had no use. In fact, none of these facilities had ever been used, but they were carefully polished and maintained. In the conference hall fortresses of "Imam" Khomeini and his designated successor, Ayatollah Montazeri, sat down at rows of permanently empty seats.

Even so, and no thanks to Iraq's President Saddam Hussein, Isfahan remains one of the most breathtaking of all Islamic cities and has good hopes of resuming its place as an international tourist attraction - for tourists, that is, who do not insist on walking the streets bare-legged (or, if female, even bare-headed) and who are content to forego stimulants stronger than a glass of tea and a puff at a bubble-bubble in the Chat-Khanna.

It is there that Isfahan families go to picnic, or just to sit, on Thursday evenings, enjoying the cool air, the sunset, and the refreshing sound of the Zayanderud River pouring through the sluice gates on its way down from the Zagros mountains to lose itself in the central Iranian desert.



Fewer tourists today, but there are hopes of their return

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OVERSEAS NEWS

Dismay greets Ne Win surrogate

AN ASIAN nationalist at the turn of the century wrote that "the glory of saving one's country cannot be given to one who has contributed to its ruin". It is in this spirit that students in Rangoon yesterday greeted the choice of 64-year-old Maung Maung as Burma's first civilian leader in 26 years, immediately calling for nationwide protest strikes and real democratic reforms to overthrow the one-party system. Maung takes over the country in the knowledge that there is national disgust for the ruling Burma Socialist Programme Party, which he helped create and with his reputation as the most honest, a surrogate for Ne Win, autocratic leader for 26 years until he resigned last month. Although he suffers this handicap, he is an intellectual, which is an important consideration as the military may be superseded. Sein Lwin, who had 19 days as president, was constantly heckled for his poor formal education. Maung won a scholarship in 1948 to study law in Britain and was called to the bar at Lincoln's Inn in 1952. He received a doctorate at Utrecht and lectured at Yale. Like many in the Burmese regime, he fought in the second world war with the Burma Independence Army, first with the Japanese against British colonial rule and then against the Japanese occupying forces once the tide had turned. Since then he has not been in the military, which was widely disliked even before the army shot dead thousands of unarmed protesters this

Burma's first civilian leader in 26 years is regarded as a front man for the former autocratic premier, reports Richard Gourlay

month. After returning to Burma, Maung taught law before becoming Chief Justice in 1962, soon after Ne Win took over. He rose in the party's central executive committee, after a period in the nominal Parliament from 1974, and became Attorney-General in the party shake-up last month. Burmese suspicion that nothing has changed comes from Maung's links with Ne Win, under whom nobody with an independent spirit could survive, diplomats say. Seven years after Ne Win swept aside democracy in the 1962 coup, Maung wrote a prize-winning book that flattered the country's whimsical autocrat and called for people to forgive and forget past misdeeds. At the time Ne Win was having problems recruiting cadres for the Burma Socialist Programme Party and was swelling its ranks with army and police personnel. Then, after 13 years of Ne Win's absolute power, Maung helped draft a constitution which entrenched the one-party system and, because of the army's control of the party, confirmed the military dictatorship. Ne Win's party cadres were then free to implement his Burmese Way to Socialism behind the scenes of constitutional democracy drawn up by Chief Justice Maung Maung. From the early days under the new constitution, Maung was one of the few civilian representatives elected by the

party, although he is now considered a moderate and untested by the recent bloodshed. With this pedigree, Burmese exiles and the students who are again calling for general strikes fear that the army and the party will still firmly be in control. "It is a sign that the party wishes to present a less ferocious face but no one will believe that he (Maung) is in charge of anything," a Rangoon-based diplomat said yesterday. Even if Maung were to break free of Ne Win's control and try to institute promised economic reforms, removal of the party's tentacles from almost every walk of life would be a formidable task. The BSP has operated a classic one-party authoritarian regime, with an elaborate mesh of privileges. Party members receive larger petrol rations, which they can sell on the black market for ten times what they paid. They have special shops, the goods from which can be likewise resold on the black market, their families can travel abroad more freely than can other citizens and they have access to cheap loans, land and top positions in an array of state-run corporations after retirement from the army. Senior officers living in the comfortable compounds of Windermere and Golden Valley lead a life envied by the haves-nots outside the party.

Observers of Burma also believe that army officers operating against the country's 12 ethnic insurgencies augment their salaries by taxing goods being smuggled in from Thailand and along the old Burma road from China. At the highest levels, the privileges allowed Sein Lwin, for example, to take over an entire floor of a Philadelphia hospital when Banner and for Ne Win to run a large estate in Bavaria. The party's grip extends beyond material comforts. "It will take a long time to cast off the yoke of central-plan thinking," a Burmese close to the party said this month while economic reforms were being seriously considered. The parliament holds two meetings a year for three days to approve laws passed to them by the party. The cabinet even became involved last year when Banner and for Ne Win to run a large estate in Bavaria. The party's grip extends beyond material comforts. "It will take a long time to cast off the yoke of central-plan thinking," a Burmese close to the party said this month while economic reforms were being seriously considered. The parliament holds two meetings a year for three days to approve laws passed to them by the party. The cabinet even became involved last year when Banner and for Ne Win to run a large estate in Bavaria. The party's grip extends beyond material comforts. "It will take a long time to cast off the yoke of central-plan thinking," a Burmese close to the party said this month while economic reforms were being seriously considered. The parliament holds two meetings a year for three days to approve laws passed to them by the party. The cabinet even became involved last year when Banner and for Ne Win to run a large estate in Bavaria.

UK NEWS

Amateurs go for snappy service

Maggie Urry focuses on the changing shape of picture processing

THE FIRST thought of millions returning from their summer holidays is to have their films processed. Happy snappers are impatient to see the results, perhaps to ease the pain of a return to work. They are prepared to pay for a quick, high quality service. Increasingly, they take their films to mini-labs - high street shops which develop and print films on site, typically within an hour. These have sprung up at a tremendous rate and within a few years have taken nearly 20 per cent of the market. The customer seems to be gaining from the competition. There is a wider choice than ever of processors and prices have fallen in real terms. The market for developing and printing has been growing by about 5 per cent a year, but last year it jumped by more than 10 per cent, and is expected to be worth about £280m this year. Although the typical roll of film has a Christmas tree at both ends, according to Mr Colin Glass of Boots, the chemist chain, improvements in camera technology mean that amateur photographers are getting better pictures and are encouraged to take more. People are also having more holidays - the prime time for picture taking. About 85m rolls of film a year are processed in the UK and the number used per person per year is rising. In the 1970s, when consumers were more concerned about price, the mail order photo processors were able to increase their share of the market by



One of more than 600 UK mini-lab processing operations

offering a cheaper service, with some estimates indicating that their share reached more than 50 per cent at its peak. That caused the high street retailers to cut margins to regain their business. Mail order has lost a large chunk of the business in the 1980s, particularly since the first mini-labs started appearing in 1983 and 1984, and today has about a quarter of the market. Photographers now want a 24-hour, same day or even one-hour service rather than waiting for the postman to take and return films. About 600 or 700 mini-labs are operating in the UK, of which 225 are owned by Boots and 200 are under the Kodak Express banner. Boots' share of the processing market has risen from 14 per cent a few

years ago to nearly 25 per cent, and it is opening a further 50 mini-labs a year. It also has six Boots Photo Centres. Many of the mini-labs are independent businesses and there has been a high opening and closing rate, although no more than for small businesses generally according to Mr Steve Hunter, brand manager for Kodak Express. The mini-lab machines cost from £20,000 to £70,000 depending on the size and range of services. On top of that the shop has to be paid for and fitted out. The key to success in photo processing is surviving the six months of the year when volumes are low, especially in the October/November and February/March periods. The independent mini-lab operators try

to build up sales of related products, such as albums and frames. Supasnaps, a chain of 340 shops with nearly 10 per cent of the market and which is owned by Dixons, the electrical retailer, has only five mini-labs, mostly sending films to Dixons' seven laboratories. However, it still needs to ride through the seasonal troughs. Mr Andrew Miller, managing director of Supasnaps, says that about 65 per cent of the business is developing and printing. It is increasingly selling cameras, backed by Dixons' experience in the market. Supasnaps was loss-making when Dixons acquired it in October 1986. It is now in profit. Underwoods, the London-based chemist chain, does not operate any mini-labs. Mr Julian Greensway, Underwoods' buying director, argues that a balance has to be struck between speed, quality and price. Many of the independent mini-lab operators have been accused of poor quality processing. Boots' mini-labs in mainland UK are operated by staff from Kodak or Colourcare, LIG's photo-processing arm. Kodak Express, which is not a franchise operation, has agreements with the shops carrying its name that require them to buy paper and chemicals from Kodak and submit to regular quality checks. It seems likely that one-off or small chain independents are unlikely to be long term survivors without the backing of a similar major group.

Pakistan tries to lay an era to rest

David Housego on a country's mood before it buries a president

They began shortly before midday yesterday to dig the graveyard in which President Zia-ul-Haq's remains will lie. A small group of workmen took their spades to uncover the turt in the centre of the vast grass-covered ground in front of the Shah Faisal mosque in Islamabad, in preparation for the state funeral today. The general's remains will be the first to be laid before the giant mosque, which stands in almost open country under the Margalla hills on the edge of Islamabad. The general's remains were buried here in a simple wooden coffin last night after it had been seen that the funeral grounds in Rawalpindi would not hold the large crowds and foreign leaders expected today. As the grave diggers went about their work, ministers, relatives, senior military officers, officials and curious passers-by chatted in groups. In the total absence of security precautions, it was difficult to believe that this was a country of which the president, some of the most senior military staff and the US ambassador had been killed in a terrorist attack only 48 hours before. However, the tranquillity of the scene was characteristic of the way Pakistan has reacted to the disaster. There has been a noticeable absence of drama, by contrast with other crises in its history - the downfall of Zulfikar Ali Bhutto as



Pakistan's acting President Ghulam Ishaq Khan accompanies soldiers carrying the coffin containing Zia's remains

Prime Minister in 1977 or the defeat by India in 1971 when East Pakistan became Bangladesh, which brought emotional crowds on to the streets. Zia will be given a simple grave and probably no more than a tablet to commemorate him. As an Islamic ruler, this would have been his wish. Islam, in pure doctrine, says graveyards should be levelled every 40 years. The forceful quiet of the laws before the mosque opened, for the moment, in all Islamabad and the other big cities of Pakistan. In Islamabad, shops and government offices are closed and the broad avenues mainly des-

erted. The massive preparations for the funeral tomorrow notwithstanding, this does not seem like the quietness of a day of national mourning. Ministers chat with visitors in their homes, completely without the security measures that surround every member of the government in India. It is as though the country has already turned from a chapter of its past and is not interested in posing uncomfortable questions. Even so, the details now surfacing suggest that the Government's handling of the assassination of President Zia and his senior military staff was part of what

Mr Ishaq Khan, Information Minister, called a "well organised plot". The general's visit to inspect a US military tank in eastern Pakistan on Wednesday had been unpublicised. It had been put off the day before and then rescheduled to his programme. Mr Soomro maintains that it would have been easy to have killed the president alone, but he believes those behind the assassination chose a moment when he was with his senior military staff - notably those most concerned with planning Pakistan's "stepping" involvement in Afghanistan. Two factors that emerged yesterday point to an explosion on board the president's aircraft rather than a missile attack cases of mangoes were put on board at the last moment and the aircraft left an hour later than scheduled. Mr Nasim Aher, Interior Minister, said the Government had received a warning from intelligence services three or four months ago that agents of the Afghan regime would switch their attacks in Pakistan from explosions in public places to VIPs. At that time, the general changed his car from a Toyota to a bullet-proof Mercedes. Pakistani officials are coming to accept that those who carried out the attack must have had support within Pakistan's military and security forces. However, there is a reluctance to point the finger directly at members of the armed forces. Concurrent with this runs what analysts call the game of "nuclear ambiguity" that both countries are playing. India has already demonstrated its ability to make nuclear weapons and has frequently said that the country cannot close its nuclear option. President Zia's deliberate statements and hints in recent years have made it clear that Pakistan is also acquiring nuclear capability. Independent observers of Indo-Pakistan relations feel the game of nuclear ambiguity will continue, although neither country is likely to demonstrate its capability. This is another example of President Zia's shrewd handling of his country's defence and foreign policies. Yet another was his remarkable skill at creating a constituency in India. Few people outside India realise that there is a powerful and influential section which wants its government to make concessions and gestures to what they believe is a small, weaker neighbour. The general charmed Indian visitors to his country by resorting to his famous "cricket diplomacy", visiting India to attend an India-Pakistan test match when Mr Gandhi was reluctant to receive him. Also, he gave Pakistan's highest civilian award to the ageing Mr Morarji Deasai, a former Indian Prime Minister, for his efforts to improve Indo-Pakistani relations, thereby suggesting that Mr Gandhi had done little in this direction.

Dan-Air to fly to Paris, Nice

By Michael Donne, Aerospace Correspondent DAN-AIR, which recently won the rights to fly between Gatwick, London, and Paris and Nice, will start services on both routes on October 23. The routes were formerly flown by British Caledonian Airways, now taken over by British Airways. Initially, Dan-Air will fly six return trips daily (Mondays to Fridays), and five on Saturdays and Sundays between Gatwick and Paris. It will fly the Nice route on Fridays and Sundays. Return fares will cost from £82 for Paris and £125 for Nice.

Doubts raised over fire alarms

By David Fishlock, Science Editor ON HEARING a fire alarm, people may take one to two minutes longer than necessary to evacuate a building, government researchers have discovered after watching fire drills. Time is lost in the confusion over the spread of fire and by failure to respond rapidly to warnings, say scientists at the Fire Research Station in Borehamwood, Herts. One answer, they believe, might be a more intelligent kind of fire alarm, called the informative fire warning system (IFW), which displays messages on computer screens.

However, IFW systems need a high level of sophistication and responsiveness if they are to display accurate and up-to-date data on the spread of a fire and the most appropriate evacuation routes. In the absence of such advances, IFW systems might confuse and mislead in an emergency. The researchers say fire drills provide a good simulation of human conduct. They monitored six fire drills, including one in a geriatric hospital fitted with an IFW system, which raised doubts about whether the sys-

tem was capable enough to help rather than hinder evacuation from a congested corridor. Yet they believe IFW systems could assist crowd management, by directing evacuation and could alert people remote from the fire and advise them to escape. Messages should be brief, the scientists say - no more than three or four words, preferably without abbreviations. Psychological aspects of informative warning systems. BR 127, Building Research Establishment, Garston, Watford WD2 7JR. £9.50.

Indian relations remain at brink

By K.K. Sharma in New Delhi

INDIAN officials and analysts acknowledge that President Zia-ul-Haq was a skilful diplomat who shrewdly handled the difficult task of directing relations with India. For both countries, this has meant a course of brinkmanship for most of the time. Yet, no matter who might succeed the general, there is broad agreement that there will be little change in the strained relations between India and Pakistan for the future. India and Pakistan have gone to war three times in the last 40 years and have been close to war even more frequently. The last time was early in 1967 when their troops were eyeball to eyeball. Even now, their armies are fighting an undeclared war on the barren Siachen glacier in the Himalayas. Indeed, the relationship has been marked by so much animosity, distrust and hostility that it is difficult to foresee any change no matter who is at the helm. The relationship has deteriorated sharply in the past few months, mainly because of allegations by India that Pakistan is assisting Sikh terrorists in the turbulent Indian state of Punjab. This led Mr Rajiv Gandhi, India's Prime Minister, this week to threaten Pakistan with direct action - yet another example of the brinkmanship to which the two leaders often resort. For its part, Pakistan alleges that the Indians are helping dissidents to create trouble in Sind and elsewhere.

The truth is that each is playing the "foreign hand" gambit to shift to the other responsibility for its own internal political problems. Distrust has led to a virtual stalemate in proposals and counter-proposals that India and Pakistan have made to ease tensions. At present, diplomatic discussions are being held on the possibility of a limited "no-war pact" between the two countries to India's counter-move for a broader treaty of peace and friendship. Little progress has been made in the several years since the proposals were made, despite meetings between General Zia and Mr Gandhi, followed by talks among officials that are becoming rarer. Indians believe Pakistan made the "no-war pact" offer mainly to show the US that it wanted peace, so that it could attract a \$3.2bn arms aid package from President Ronald Reagan, as it did successfully in 1982. India's counter-move for a peace and friendship treaty has been stalled because of its insistence that both countries should agree that neither will offer military bases to third countries - this being intended to head off any stationing of US troops in Pakistan. President Zia refused to incorporate this in the proposed treaty and so no progress has been made here. Arising from all this failure, both countries have stepped up their military spending to an extent that their economic development is being retarded.

They have taken few steps to improve their bilateral relations, including commercial ones. Trade between them remains minimal. The burden of the arms race in the subcontinent is not expected to end, no matter who succeeds President Zia. Analysts in New Delhi acknowledge that the general handled his defence strategy well. He used the US arm assistance to acquire costly F-16 fighters and other sophisticated hardware as part of Pakistan's policy of deterrence against its hostile neighbour which was militarily stronger. The president also cleverly used Pakistan's own funds to buy old weaponry cheaply from abroad - MIG and Mirage 5 jet fighters from China and Australia respectively, and frigates from Britain - and then updated them with modern equipment. This is one of the main reasons for the fact that more than 30 per cent of the Indian budget goes on defence. Counters to General Zia's clever defence purchases have proved costly for India but there is no sign that either country intends to cut such spending.

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UK NEWS

Building society mortgage loans at record £5.4bn

By David Barchard

MORTGAGE LENDING by building societies was £5.4bn in July, an all-time record for the industry, and more than £500m up on the June total, according to figures released yesterday by the Building Societies Association.

The high level of lending - more than 60 per cent above the figure for the same month last year - confirms that building societies are continuing to regain market share from other lenders.

However, the figures contained a hint that the mortgage market may have reached its peak. Net new commitments by the societies were £5.2bn, or £200,000 less than in June, suggesting that mortgage lending is likely to slacken in the next few months.

The savings figures confirm the picture of the past nine months since the stock market crash. Small savers are still flocking to the building societies, preferring to place money with them rather than with unit trusts or share dealing schemes.

The net inflow of funds to the societies in July was £1.3bn, the second highest

monthly total this year and more than four times the total for July last year.

The inflow of funds into building societies rose to a high level immediately after the stock market crash last October and there is so far no sign of any decline," said Mr Mark Boleat, director-general of the Building Societies Association, yesterday.

These latest statistics contrast with the monthly figures for July of the Unit Trust Association, released earlier this week. These show that investment in units is still languishing at levels well below those of a year ago.

The figures suggest that even without further increases in their interest rates to savers, building societies can be confident of a continuing inflow of funds. They will therefore be able to price their mortgages competitively compared with those of the banks and the new mortgage companies.

The latter rely to a much greater degree on wholesale funding and are therefore finding it increasingly difficult to compete with building society mortgage rates.

Cook seems to stumble over polling prediction

By Tom Lynch

MR ROBIN COOK, one of Labour's most effective front bench spokesmen and manager of the campaign to elect Mr Neil Kinnock as Labour leader, appeared to stumble yesterday in suggesting that a hung parliament was Labour's best hope for the next election.

At the same time, Labour denied a report in the Scotsman newspaper that Mr Cook had been "gagged" by the shadow Cabinet over his support for non-payment of the community charge, or poll tax, which is to be replaced by a new tax in Scotland next year and in the rest of the country in 1990.

Mr Cook has improved his standing in the party this year. As shadow Social Services Secretary he has won praise for his vigorous pursuit of ministers over the National Health Service, culminating in the recent splitting of the Department of Health and Social Security.

He has also shown increasing confidence in presiding over the re-election of Mr Kinnock and Mr Roy Hattersley, his deputy.

However, he was reported yesterday as saying it would be "a bold claim to say Labour could leap in one step from our present position to a clear majority in the House of Commons."

Later he said his argument had been that the Tories would win an election called now. They would be beaten and Labour would take office in a hung parliament. Yet given the volatility of the polls it is not possible to predict what would happen in three years.

Labour Party officials yesterday took a relaxed view of his remarks, saying that Mr Cook had expressed a personal opinion. However, the controversy arose on the same day that the Scotsman claimed Mr Cook had been gagged by shadow Cabinet colleagues from expressing support for the non-payment of the poll tax.

The party's official line, as set out in a national executive committee statement to the October conference - is to conform with the law, while expressing sympathy with those who resist. Mr Kinnock and Mr Donald Dewar, the Scottish Secretary, have both opposed non-payment.

Conservatives have tried to portray Labour as prepared to countenance illegal non-payment, while the Scottish National Party, which has been scathing about Labour's failure to convert its electoral dominance in Scotland - it has 50 of the 72 seats - into tangible parliamentary gains.

Many MPs see the non-payment campaign as a blind alley, arguing that the power to detain wages and benefits renders any such protest pointless. However, there is strong resistance to the tax in Scotland, and several Labour MPs have said that they would not pay it.

The Scotsman yesterday said a row within the shadow Cabinet had ended with a compromise, suggested by Mr Kinnock, that Mr Cook would defend non-payment from encouraging non-payment of the tax and would not discuss the matter with the press.

Labour yesterday denied that shadow Cabinet members had been gagged on any issue. Mr Cook could not be contacted for comment.

Mr Dick Douglas, MP for Dunfermline West, who in February resigned as convener of the Scottish group of Labour MPs in protest at Mr Kinnock's opposition to non-payment, said on Radio 4 yesterday he would write to the party leader asking him to clarify Labour's decision.

Imports push car trade deficit to £2.36bn

By John Griffiths

THE UK motor industry's balance of trade deficit jumped by 61.5 per cent to £2.36bn in the first five months of this year, provisional figures from the Society of Motor Manufacturers and Traders showed yesterday.

The main reason for the increase, from a £1.56bn deficit in the same period last year, was a 35 per cent rise in the number of car imports, said the SMMT.

However, after recording a 45 per cent increase last year, car exports fell by 3.2 per cent in value and 2.4 per cent in volume during the first five months.

The figures mark the resumption of a deterioration in the industry's external trade performance. In 1987 the overall deficit had been virtually unchanged from the previous year at just under £1bn.

The industry first went into a balance of trade deficit in 1978, since when it has been continuously in the red. All sectors were in deficit during the most recent period except for that including tractors, dump trucks, trailers and other non-mainstream products.

Exports of light commercial vehicles (up to three tonnes gross weight) were a growth

area, being up 23.3 per cent in volume and 33.5 per cent in value.

However, this was offset by the buoyancy of the UK market, which sucked in more imports. These rose by 30.6 per cent in volume and 37.4 per cent in value.

In the heavy truck market, far higher total sales than expected produced a 54.1 per cent rise in the volume of

imports, while the volume of exports fell by 5.2 per cent.

More encouragingly, there was a slowing down in the increase of imports of parts and accessories, at the same time as exports rose.

This was despite the loss of production from Ford plants in the UK this year. Several European vehicle makers intend to get more components from the UK, said the SMMT.

are expected to be sold this month alone, with a total for the year of around 2.3m.

In the first seven months of this year UK-built cars have accounted for only 45.26 per cent of sales, compared with just over half in the same period of last year. In the period covered by the balance of trade figures, car imports were up 34.7 per cent in volume. Registrations of traditional imports were up 11 per cent but imports of the UK-represented multinationals were up by 45 per cent.

As a consequence, it now appears certain that the industry's record trade deficit of £3.98bn for all of last year is going to be exceeded.

The SMMT itself gives three main reasons why imports have grown so sharply this year: the unexpected strength of the market leaving the UK plants of the multinationals unable to supply enough cars; a two-week strike at Ford exacerbating this problem; and the strength of sterling against the D-Mark making it more attractive for multinationals to supply the UK market from the Continent.

Ford's director of public and governmental affairs, Mr John Southgate, said last night that Ford's 64,717 car imports in the first quarter - compared with 29,514 in the same period last year - were mainly to plug the supply gap left by the two-week strike and other stoppages which cut output of nearly 74,000 cars, commercial

vehicles and tractors.

Without the stoppages, said Mr Southgate, "we should have been in a position to achieve a 75 per cent proportion of British-built vehicles in our total sales this year, with the possibility of exporting vehicles to the Continent in 1989/90."

He also stressed that Ford, the sector leader, was also a substantial exporter of components and vehicles other than cars. However, several years ago Ford halted its former practice of publishing its own balance of trade figures, and it refused to comment on its current situation last night.

The UK car industry's export performance was also a disappointment in the first five months, for which the SMMT is placing considerable blame on the pound's rise, particularly against the dollar.

Rover Group's sales of the Sterling in the US are running at only about half the previous year's levels, while Sir John Egan, Rover's chairman, said yesterday that he hoped to hold US sales at around last year's level of 23,000 although he pointed out that each 10 cent change in the dollar-sterling ratio "is costing us \$20m on the bottom line."

However, says the SMMT, the ending of Peugeot Talbot's car kits exports to Iran halfway through last year and a one-off export shipment by Vauxhall to the Continent at the same time have also made this year's figures look worse than they otherwise would be.

Depressing figures for domestic producers

John Griffiths analyses the market factors behind a sharp increase in car imports

ALMOST the first act of Peugeot Talbot managing director Mr Geoffrey Whalen on becoming President of the Society of Motor Manufacturers and Traders in June was to call on UK vehicle makers to improve their contribution to the country's balance of payments.

Even so he was making the speech, early warning signs were being flagged to statisticians working fast away in the back rooms of Forbes House, the elegant SMMT headquarters in London's Belgrave Square, that the industry's contribution this year was on course to be, at best, an embarrassing one.

Yesterday's figures from the SMMT - delayed partly by revisions in the way Customs and Excise collects its data - confirmed the worst suspicions. Even more depressing for UK industry was the fact that by far the largest contributor to the increased deficit was new cars - the very sector in which the tide had been felt to be turning.

Much of the 30.6 per cent jump in new car imports by value, to £2.6bn, was accounted for by "traditional" imports - from totally overseas bases - including the Fiat of Italy or Honda of Japan.

But the figures provided evidence, too, that the progress made for much of last year by the UK bases of the multinationals Ford and Vauxhall towards securing a greater percentage of their cars sold in

	1988	1987	% change
Exports (Feb)			
Cars	785.1	785.1	-3.2
Over 3 tonnes gvw	92.9	92.9	+38.0
Other ovs	114.4	107.0	+6.9
Parts and accessories	1322.0	1166.5	+11.5
Other products	415.0	389.2	+6.7
All motor products	2861.0	2501.4	+12.2
Imports (Feb)			
Cars	2284.7	2000.0	+30.5
Over 3 tonnes gvw	352.8	119.3	+27.4
Other ovs	183.3	239.7	+47.8
Parts and accessories	1721.7	1590.0	+12.5
Other products	183.3	189.4	+18.9
All motor products	3038.5	4077.3	+24.2
Trade balance			
Cars	-1898.7	-1215.9	52.7
Over 3 tonnes gvw	-91.2	-78.7	23.74
Other ovs	-239.2	-132.7	80.25
Parts and accessories	-308.9	-343.4	10.18
Other products	-228.7	-209.8	8.0
TOTAL	-2357.4	-1555.9	51.5

the UK from UK plants had been thrown into reverse.

Figures for the first seven months of this year show that 57 per cent of Ford's total sales were accounted for by cars, compared with 59 per cent for all of last year. Just over 64 per cent of Vauxhall's sales in the first seven months were assembled in the UK, compared with just over 68 per cent last year.

Events since the end of May have served only to heighten Government officials' concern on two fronts.

Not only is the August F-registration sales boom sucking in new car imports at near-record levels in percentage terms - more than 60 per cent of all sales in the first ten selling days - but the far higher than expected volume of total sales is causing a further sharp deterioration in the industry's trade balance at a time when concern about the UK's overall balance of trade deficit is growing daily. At least 450,000 cars

are expected to be sold this month alone, with a total for the year of around 2.3m.

In the first seven months of this year UK-built cars have accounted for only 45.26 per cent of sales, compared with just over half in the same period of last year. In the period covered by the balance of trade figures, car imports were up 34.7 per cent in volume. Registrations of traditional imports were up 11 per cent but imports of the UK-represented multinationals were up by 45 per cent.

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DTI inspectors to probe Rotaprint

By Andrew Hill

THE DEPARTMENT of Trade and Industry has appointed inspectors to investigate the affairs and dealings in the shares of Rotaprint, the manufacturer of printing equipment which went into liquidation in June.

It is thought the investigation could be connected with a share deal in the company's price in 1986, when it soared to 18p, against a final suspension price of 4p, in spite of the attempts of Mr John Crates, then chairman, to dampen speculation.

The DTI has appointed Miss Mary Howarth Arden, a barrister, and Mr Geoffrey Newton Lane, an accountant, as inspectors under sections 432 and 442 of the Companies Act.

These sections allow investigation into dealings in the company's shares and general affairs, including fraud.

The company suffered a series of setbacks which began in 1986, after it had gone through financial rationalisation.

The shares were transformed into penny stocks, widely-tipped because of the record of the new management, Mr

Crates and Mr Charles Howe, former managing director, who came from Crystallite, the electronic goods group.

Rotaprint plc went into receivership in February, in spite of the apparent success of two offset litho printing machines introduced last year. Shareholders voted in favour of a takeover by a group of £272,000 in the year to March 29 1987.

Problems with production of new presses would have led to a downturn in Rotaprint's unpublished interim figures for the half-year to last September, Mr Crates said at the time.

The brand-name, which is well-known in the printing industry, is now carried by a private company - Rotaprint Ltd - headed by two former directors of Rotaprint plc, who bought the business assets going on in April. The DTI investigation is into the affairs and membership of Rotaprint plc.

Air UK profits affected by cost of new BAe jets

By Michael Dome, Aerospace Correspondent

AIR UK, the independent airline, ended a pre-tax profit of £2.55m on turnover of £67.53m in 1987. This compared with a pre-tax profit of £2.63m on turnover of £68.55m in 1986.

Mr Stephen Hanscombe, managing director, said the figures showed the difficulty of securing a good return on regional air services.

That said, our 1987 results were also affected by substantial start-up costs associated with introducing the British Aerospace 146 jet airliner, three of which are now in the fleet.

"However, while regional air routes will continue to provide the majority of our passengers in the short term, the emphasis will change as we gain access to 'wetter' markets."

He was referring to the recent award to Air UK of the London (Gatwick) to Glasgow and Edinburgh routes, on which the airline begins services at the end of October.

Study of discretionary trusts published

By Richard Waters

THE Inland Revenue has published its first study of the use of discretionary trusts for 13 years, but immediately denied that this represented the first step in a change to the treatment of such arrangements.

As at April 1986 property worth £7.4bn was held in discretionary trusts, representing 1 per cent of the marketable wealth of all individuals and trusts in the UK, estimates the Revenue.

"It shouldn't be interpreted that the publication of this study means there will be a change in tax law. But then again, it shouldn't be interpreted that there won't," said a Revenue spokesman yesterday.

Discretionary trusts, under which income from assets held in trust is payable only at the discretion of the trustees, are spreading income around a

number of beneficiaries in the most efficient way for income tax purposes.

Their use in inheritance tax planning is restricted, since trusts are subject to a special inheritance tax regime. Assets in the trust are subjected once every 10 years to tax at 15 per cent of the full inheritance tax rate.

The Government has already announced a review of the residence rules of tax law relating to trusts, and may use this as a springboard to a thorough overhaul of the system.

Already under review are: Non-resident settlements. This will complete reviews already undertaken of the residence rules of individuals and companies, which together form one of the most fundamental recent overhauls of tax law. New residence rules for companies were enacted in this year's Finance Act, and highly controversial proposals

for change to the treatment of individuals were published earlier this month.

Mixed settlements, under which assets are held in trust for the benefit of children to avoid higher rates of tax.

The use of trusts to transfer income from one spouse to another to avoid higher rates of tax.

The study of discretionary trusts was carried out by two economic advisers from the Revenue's 14-man central unit, which is responsible for advising on broad issues of tax policy. It covers the position of 55,000 discretionary trusts in 1985-86.

The study found that the value of assets held in the trusts, at £7.4bn, was 70 per cent more than in 1973, the last time the Revenue reviewed the area. This decline may be due

to the less favourable tax regime applying to these trusts since the introduction of inheritance tax.

Just 1,400 trusts, or less than 3 per cent of the total, accounted for half of the assets, giving them an average value of £30,000.

The amount of tax collected on income from all discretionary trusts, besides basic-rate income tax, was £20m in 1985-86. Trusts do not pay higher-rate income tax, but are subject to a special income tax (15 per cent in 1985-86).

Of the £7.4bn of assets held in these arrangements, £4.5bn was represented by quoted equities and £1.1bn by unquoted equities. In addition, land and buildings accounted for £1.1bn, fixed interest securities £400m, National Savings £270m, bank deposits £200m and bank deposits £40m.

A quirk in tax law means that tax paid in 1984/5 and 1985/6 will only be recoverable if the tax return relating to those years was submitted after April 6, 1987, or if the amount is already subject to an appeal.

The Revenue said that it will not always be able to identify people who are due a repayment of tax.

It advised anyone who has a claim to contact their tax office for a refund.

Anti-freeze prices driven up

By Steven Butler

A WORLDWIDE shortage of ethylene glycol threatens to make this winter a bit more dreary than usual, unless Britain is blessed with the near-bahny climate of last year.

Ethylene glycol is the chemical in anti-freeze which helps prevent car radiators from freezing in cold weather. Short supply of the chemical has driven up anti-freeze prices and could lead to a scarcity of supply this winter should it be a cold one.

Prices for anti-freeze have already risen to an average of about £3 a litre, compared with a usual £1.25 per litre. Halfords, the car parts and accessories retailer, is expecting prices to rise another 70 per cent depending on the weather.

Ethylene glycol is manufactured at about a dozen plants normally, but several of these have been shut down.

BP's plants in Antwerp and Germany have been undergoing repair and maintenance, and 22m of chemical stocks were wiped out in an explosion at the Shell refinery in Norco, Louisiana, in the spring.

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234	238	Am. Brk. Inv. CHS	234	0.0	4.2	5.2
40	25	Avantage and Finance	37	-1	-	-
57	38	BBG Develp Group (USM)	40	0.2	2.1	5.1
149	158	Boston Group	149	0.0	7.5	22.8
115	100	Burford Group Cont. Prof.	115	0.7	6.7	5.8
146	135	Bray Technology	135	0.0	3.2	39.2
114	100	Brentford Group Prof.	113	0.0	11.0	9.7
257	246	CC Group	257	-12	12.3	4.3
140	124	CCI Group (USM)	140	0.0	14.7	9.2
115	129	Carbo Pils (US)	150	0.0	6.1	4.1
112	100	Carbo 7.5% Pref (US)	112	0.0	10.3	9.4
305	347	Chlor. Biol.	305	-1	3.7	12.8
95	40	CS Group	95	-1	-	-
118	87	Jackson Group (US)	114	-2	3.4	30.1
305	245	Multimedia (USM)	345	0.0	-	-
430	424	Robertson	415	0.0	7.1	2.4
111	40	Robertson	415	0.0	8.0	1.9
233	194	Torday & Corliss	233	0.0	7.7	3.3
96	56	Treva Holdings (USM)	81	0.0	2.7	3.4
113	100	Unifirst Europe Cont. Prof.	113	0.0	8.0	7.5
295	293	W. Yates	295	-1	16.2	5.5

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Technical image looks to marketing polish

David Fishlock explains the UKAEA's new approach to winning more research work

ANALYSIS of the returns on the cost of the UK Atomic Energy Authority's research projects for British industry will make a strong selling point when marketing its services internationally, believes Mr Charles Chapman, the authority's board member for corporate development and finance.

Mr Chapman, 52, spearheads the new drive into overseas marketing of the authority's research and development capability - "Europe's biggest" - under the banner of AEA Technology, announced earlier this month.

The authority, set up in 1955 as the research and development arm of an emerging nuclear industry, had a turnover of £428m last year, more than 80 per cent of which was for nuclear R and D.

However, the authority's main customer, the Government, has been reducing its

spending, most recently with a £30m cut in the fast reactor budget from next April, to be followed by another £20m cut a year later.

Mr Chapman, recruited from British Telecom last year, is now seeking research contracts from other big companies and entire industries in an urgent need of a technological uplift and greater profitability. He believes they include the oil, mining, processing and construction industries.

His big problem is to convince would-be big spenders that they will get a worthwhile return from R and D investment. The Harwell laboratory, which first ventured into contract R and D in the 1960s, has made a start in this, but has failed to make cost-benefit analysis central to its marketing, he says.

He believes the evidence of big benefits is already available but needs to be "packaged" for the would-be cus-

tomers, just as BP packages it as an annual "balance sheet" for the board.

"One of the most encouraging things here is the readiness to adopt new approaches," he says. He also believes the authority has a good technical image with the world at large - witness the 700 applications

for 20 new marketing posts earlier this year.

There is no thought yet of the authority abandoning its full title, and the nuclear industry is destined to remain its biggest single customer for the foreseeable future. But it will drop the "UK" and march overseas under the time-war banner of AEA Technology.

One big technical challenge is to accommodate more latitude in standards of craftsmanship than have been permitted for nuclear technology. Traditionally the authority has always aimed for the highest possible standards. "But even in nuclear it doesn't mean everything has to be gold-plated," says Mr Chapman.

To other industries, nuclear standards simply mean an idea has been over-engineered, he says. The new bywords are "fitness for purpose" - which certainly doesn't mean sloppiness, he stresses. "It means what the customer wants and is prepared to pay for."

He has already launched programmes to look at the cost of the authority's R and D to try to make it more competitive.

He sees two opportunities which could eventually enhance rather than reduce the scale of its R and D. One is the restructuring of the electricity supply industry in the private sector, which could give it the chance to acquire more research capacity complementary to its own, such as the Berkeley Nuclear Laboratories of the Central Electricity Generating Board.

The second opportunity is to try to woo big companies from overseas to set up their own R and D in Britain in close association with a nuclear research centre such as Winthill in Dorset, which specialises in oil science, or Harwell near Oxford, which has a wide span of industrial interests. "This one could snowball," he claims cheerfully.

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UK NEWS - EMPLOYMENT

Coca-Cola fixes date for talks with TGWU

By Philip Bassett, Labour Editor

COCA-COLA has asked for talks with leaders of the TGWU transport union over industrial action against the company. The move came as the conciliation service Acas stepped into the inter-union row over a single-union deal. Managers at Coca-Cola & Schweppes Beverages have sought a meeting with the TGWU after only a week of an overtime ban and work to rule by 900 production and distribution employees who are members of the TGWU.

Coca-Cola asked for the meeting as the TGWU went into talks at the TUC with the AEU engineering union over the AEU's single-union deal at the plant's new 500m bottling plant at Wakefield in West Yorkshire.

The company is making no comment about the impact of the union's action, over alleged breaches of national agreements, but TGWU officials yesterday claimed that production of the company's soft drinks was down by 10-15 per cent as a result of the action.

Coca-Cola and the TGWU have provisionally fixed talks for next Thursday.

Mr John Monks, TUC deputy general secretary, contacted Acas following a meeting between the TGWU and the

Bank is happy holding the baby

Michael Smith looks at the provision of nurseries by employers

FOR years it seemed like a lost cause. Mention the word nurseries to employers and the response was either a blank stare or a vague expression of approval of their desirability some time in the future.

Barely did the answer include a commitment of funds. The cost was considered too high.

All that could be changing. This month Midland Bank announced the creation of two nurseries for staff and indicated more would follow.

Promoters of women's equality believe it may be the first in a series of announcements, not only among the Midland's clearing bank competitors but also by other large employers.

It is not that employers have suddenly been converted to fighting for sexual equality. The driving force is changes in Britain's population which is presenting employers with a prospective recruitment crisis.

The number of 16 to 19-year-olds will fall from a peak of 3.7m in 1983 to 2.6m in 1994, and companies will have to look to people other than teenagers to fulfill their employment requirements. The race is on to make employers attractive to mothers who want to get back to work.

Creche campaigners are taking heart from the knowledge that Britain's peak for the provision of childcare was reached at the end of the Second World War when working women were valued and the authorities responded accordingly.

It was not to last. Workplace nurseries were rapidly closed when men returned from the front to reclaim their jobs and it was another 30 years before facilities expanded significantly again, partly because of increased demands for women's equality.

Then came the recession of the late 1970s and the Inland Revenue delivered what many people felt would be a fatal blow when it ruled in 1984 that people should be taxed on employers' contributions to workplace nursery provision.

The net result - according to Caring for Children, the UK national report for the European Commission's Childcare Network - is that Britain has less than half the number of places in public nurseries that it had in 1945 and only 1 per cent of children under five are catered for.

This compares unfavourably with virtually all other European countries and cutbacks in local authorities mean a further fall is likely. Meanwhile, provision in private or voluntary nurseries is even less.

For most women the alternatives to nurseries - including paying for childminders or persuading family members to look after their children - are either unaffordable or unavailable. As a result they lose income and promotion opportunities slip by.

To improve the equality of opportunity of female employees no doubt appeals to some

company chairmen but it is unlikely to have them racing for their cheque books to set up nurseries.

Workplace Nurseries Campaign, a pressure group set up in 1984 to fight the Inland Revenue proposals on tax, says that the costs of setting up a nursery vary enormously, depending on the area.

However, it estimates that starting a 24 place nursery could cost up to £25,000. That includes TVs and videos, toys and telephone installation but may not allow for the acquisition or lease of premises and conversion costs.

If the nursery opens 10 hours a day, annual running costs could be more than £100,000 with about 70 per cent going on staff. That, however, assumes the admission of children under 18 months old. Department of Health and Social Security guidelines say that staff-child ratios should be one to two for under-18-month-olds and one to four for above.

It can, however, be done for less. Spencer, of Banbury, Oxfordshire, maker of women's foundation wear, and one of a handful of British companies to have an in-house nursery, reckons to spend only about £17,000 a year running its 20-place facility. It takes no children under two and opens 7½ hours a day.

Ms Irene Robson, personnel officer, says severe recruitment problems at Spencer have eased since the nursery opened. "For the first time I

APPOINTMENTS

Senior planning post at Standard Chartered

Mr David Mallett has been appointed deputy general manager planning at STANDARD CHARTERED BANK from September 19. He will assist Mr Rodney Galpin, executive chairman designate, in a full review of the group's corporate strategy and organisation. Mr Mallett joins

as a non-executive director. He was a partner in charge of the gilt edged department at Barclays de Zoete Wedd.

TILBURY GROUP has formed two divisions at Tilbury Construction. Mr Ray Foster has been appointed managing director of the civil



Mr Larry Byrne (left) has been appointed head of agency at UK LIFE ASSURANCE COMPANY, Horsham, West Sussex, and a director of UK Life Sales. Mr John Dowling (right) has been appointed product development manager.



Mr Eric Paradise becomes managing director of the building division. Mr Paradise retains his post as managing director of Tilbury (City).

Mr Philip Williams, Mr Fred Grabbam and Mr Roger Emberson have been appointed technical directors of W.S. ATKINS CONSULTANTS.

Standard Chartered from the banking supervision division of the Bank of England.

CUSSINS HOMES, Newcastle, part of Cussins Property Group, has appointed Mr W. Ian Waites as managing director and Mr Stephen Murray as director of development. Mr Murray was land director at C.H. Beazer.

INSTEM COMPUTER SYSTEMS, Stone, Staffordshire, has appointed Mr Roger Turner as projects director for its operations subsidiary, Instem Computer Systems. He was divisional manager at Logica (Energy and Industrial Systems).

Sir Ronald Ernest Dearing has been appointed a board member of ENGLISH ESTATES for three years from August 17. He was chairman and chief executive of the Post Office 1981-87.

STREETS COMMUNICATIONS has appointed Mr David Fappin



MASSEY-FERGUSON TRACTORS has appointed Mr Nicholas Crighton (above) as personnel director at its Coventry plant. He joins from the Peugeot, Talbot Motor Co. This is the first time the company has made a personnel appointment at board level. The company is a unit of the Varty Corporation, Canada.

Tighter enterprise allowance rules on trial

By Charles Leadbeater, Labour Correspondent

THE Department of Employment has launched trials of tighter procedures for entrants onto the Enterprise Allowance Scheme. For the first time applicants will be required to draw up business plans before they receive their £40 a week allowance.

The EAS, which helps unemployed people start their own businesses, was criticised ten days ago in a National Audit Office report which recommended the department should introduce a test of businesses' viability before people were allowed enter the scheme to become self-employed.

The report said the scheme, which last year took 106,000

entrants at a cost of £196m, had successfully encouraged many people to become self-employed. But it said the rate at which businesses failed could be cut if a viability test was introduced.

About 13 per cent of businesses failed during the year they received assistance, a quarter failed within the next six months, and three years after starting on the scheme only 57 per cent were still trading.

People are eligible for the scheme if they have been unemployed for more than eight weeks, and have £1,000. They have to go through a day of business awareness training before they can receive the allowance, which costs the exchequer about £2,300 per person per year.

The department said the procedures being piloted in seven areas were not business viability tests. Applicants were being asked to prepare business plans merely as an extended part of the application procedure.

The trial procedures were introduced earlier this month in Plymouth, Cardiff, Wakefield, Hampshire, the Highlands and Islands, east London and the southern part of inner London.

In those areas applicants are required to complete a stan-

Post Office 'threatened by disruption next week'

By Our Labour Staff

THE union of Communications Workers said yesterday that industrial action in the Post Office next week was still a strong possibility after talks between the two sides were adjourned.

Mr Alan Tuffin, general secretary of the UCW, said he had told the Post Office that supplementary payments for recruits had to be paid throughout the country or not at all. Otherwise, agreements signed last year would be breached.

Although the UCW and the Post Office have been talking

all week, the union believes significant progress has been held up by the absence on holiday of Sir Bryan Nicholson, Post Office chairman.

Talks at the Home Office aimed at solving the prison officers' dispute were continuing last night.

It was the second day of national level talks over the Holloway Prison row, which has led over 200 prison officers, to walk out.

Supportive industrial action also continued at six other London prisons and nine women's establishments.

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Saturday August 20 1988

Anglo-Saxon parallels

IT IS A curious world. On Tuesday the US announced worse-than-expected trade figures - a deficit in June of \$12.5bn compared with market guesses of around \$11bn. The world's central banks then spent the rest of the week selling dollars in an effort to curb further appreciation of the US currency. The co-ordinated intervention was a timely reminder that all interest in economic co-operation has not evaporated just because the US is gearing up for a presidential election. But it really should not have been necessary. If the markets did not always take such a short-term view, they would recognise that the dollar rebound of recent months has been excessive.

In January, the new President will inherit an external debt of perhaps \$500bn, an annual trade deficit of at least \$120bn and a rapidly rising shortfall on invisibles. Many economists doubt whether these imbalances can be scaled back significantly even by the early 1990s. Some softness of the dollar thus looks inescapable; indeed, the longer the dollar takes to reverse its recent rise, the further it may eventually have to fall.

The flurry of UK statistics released this week, unlike the US trade announcement, took nobody by surprise. The record \$9bn increase in bank lending in July, the \$1.7bn public sector debt repayment, the 2 per cent surge in retail sales, and the rise in inflation to a whisker under 5 per cent merely confirmed the extraordinary strength of domestic demand. The benign consequences of this buoyancy were further underlined by the 24th successive monthly fall in unemployment and another surge in manufacturing investment and output.

Lowest level

Unemployment, at 8.2 per cent of the workforce on the official definition, is now at its lowest level for seven years. Manufacturing output, which has risen nearly 7 per cent since last year, has at last topped the previous peak set in 1974.

What the recently released statistics confirm is that the problems faced by the US and UK economies are strikingly similar. Both face worryingly large external deficits, reflecting the fact that demand in each country is expanding considerably faster than the potential growth of supply. Both are beginning to face capacity constraints. In the US capacity utilisation rates exceed 85 per cent in many sectors while the unemployment rate is below 5 per cent in

almost half the states. Wage and price inflation is creeping higher. The central banks in both countries are tackling excess domestic demand by raising interest rates. And in each case this is causing temporary exchange rate strength, creating tensions in the foreign exchange markets and threatening to undermine efforts to curb the trade deficits.

Admirers of Mr Lewson's policies tend to deny that the UK and US have much in common. The Reagan and Thatcher administrations, it is conceded, have both championed free markets, deregulation and tax reform. But the parallels end there: such micro-economic similarities are easily outweighed by the quite different approach to macroeconomics. Thus while lax policies in the US led to the largest ever peace-time federal deficit, fiscal restraint in the UK has created a budget surplus. Likewise, while Britain has amassed foreign financial assets on a scale last seen under Queen Victoria, the US squandered its foreign capital and turned itself into the world's largest debtor nation.

Consumer behaviour

What such an analysis ignores is the strikingly similar behaviour of the British and American consumer. The current account deficits in both countries have been caused by a shortfall of domestic savings. In the US the causal role of the federal deficit has been greatly exaggerated. It has been substantially offset by state surpluses. In any case, between 1979 and 1987, the decline in private saving was as important a source of the overall saving shortfall as the rise in federal borrowing. Since 1986 the budget deficit has been declining as a percentage of GDP, just as it has in the UK. In other words, public sector savings have been rising. The trade deficit failed to narrow in 1987 because private savings continued to fall relative to GDP and investment.

The Anglo-Saxon economies' desire to live beyond their means transcends temporary differences in attitudes to public sector borrowing. The UK and US have reacted in fundamentally the same way to the enhanced credit opportunities provided by the liberalisation of international capital markets: they have borrowed more. The surplus countries, by contrast, have opted to lend more. At some point there will have to be a reversal of roles and it is unlikely to be brought about merely by a tightening of monetary policy in London and Washington.

Stewart Fleming and Lionel Barber report on the troubles mounting in the way of the Vice President's campaign to reach the White House

George Bush stumbles in the limelight

FOR the past eight years, Ronald Reagan has made patriotism the leitmotiv of his presidency. At this week's Republican convention in New Orleans, Vice President George Bush hoped to make the Reagan theme of pride in one's country his very own.

Invoking God and country has rarely lost an election. But winning one requires a good deal more, as Mr Bush was well aware yesterday when he hit the campaign trail in Huntington, Indiana, the hometown of his running mate, the little-known 41-year-old Senator, Mr Dan Quayle.

Handsome, blond and energetic, Mr Quayle seemed to match Mr Bush's description of him as "a leader for the future." But Mr Bush's advisers had not looked closely enough into his past.

In 1969, Mr Quayle admits, he used personal contacts established through his wealthy newspaper publishing family to join the Indiana National Guard and serve in the US - at a time when many young men like him found themselves fighting in Vietnam. Those were the days when the fighting was at its height and the war so unpopular at home that many young Americans, to avoid being drafted into the army, competed with each other for ways to satisfy their military service requirements without going overseas.

Wyoming said: "What is real hypocrisy is to watch some pontificating, powdered poop on TV asking Dan Quayle questions, and know that person was hiding out during the Vietnam War carrying a Vietcong flag."

Yet his Republican colleague, Senator John McCain, who was shot down over Hanoi, spent 5 1/2 years as a prisoner of war and was subjected to torture, voiced the sentiments of many Vietnam veterans: "If there was some manipulation of the process that gave him some advantage over others, then I think it is a serious political problem."

Mr Quayle is also a special case. He is running for Vice President. He boasts about being an expert on defense. He is running for a party which puts patriotism at the top of its priorities. And he is one of the bests to a \$400m publishing empire in Indiana.

As Mr John Chancellor, the veteran commentator for NBC News, said while Mr Quayle was serving his country at home, thousands of ordinary Americans, blue collar and black kids not from privileged backgrounds, were dying for their country. "There are important political principles at stake here" he added. It was never meant to be like this. It was the Democrats whose conventions have in recent years been disasters. Everybody remembers the riots in Chicago in 1968 and Senator George McGovern's botched selection of Senator Thomas Eagleton of Missouri as his running mate in 1972.

The Republican National Convention, set in the 90,000-seat Superdome in the steamy city of New Orleans, was all set to be the most carefully choreographed in history. Ethnic groups such as Hispanics and blacks were to be allocated speaking time in proportion to their share of the national population.

At first it was just little snags. The sound system did not work properly. There were "dead spots" in the hall - for which the management apologised in writing on the press room wall.

Then came the question of the running mate - which evokes memories of a similar disastrous choice in the 1964 presidential election. Then, Mr Walter Mondale, trailing badly in the opinion polls, turned in desperation to a similarly untested politician, Congresswoman Geraldine Ferraro of New York City, and made her

the first woman ever to be put on a national presidential ticket. The tactic backfired, partly because the campaign managers failed to dig deeply enough into Ms Ferraro's family background, missing her husband's questionable financial deals.



The Republican team: George Bush and Dan Quayle and (left) Mrs Bush

voters. Some even suggested that his youth would make the 64-year-old Mr Bush look more of a statesman.

Yet critics soon pointed out that the demise of previous "generational candidates" such as Senator Joseph Biden of Delaware and former Senator Gary Hart of Colorado had raised questions about whether such political creatures existed anywhere except in the creative minds of some American pollsters.

Mr Bush's top media and polling advisers - Mr Robert Teeter and Mr Roger Ailes - both worked for Mr Quayle in his successful campaign for the US Senate in 1980 and apparently pushed his selection in the face of some scepticism. Mr Teeter, reflecting the disarray in the Bush camp, is currently distancing himself from the selection process.

Mr Bush also spoke of the need to "leave the tired old baggage of bigotry behind." Mr Reagan saw America as a colour blind society and paid little attention to black political leaders; he ignored their calls for legislation as a tool for redressing the wrongs of a segregationist past.

"Pouring out his soul," as his friend Mr Nicholas Brady, the designated US Treasury Secretary, described it: Mr Bush declared: "Some people who are enjoying our prosperity have forgotten what it is for, but they diminish our triumph when they act as if wealth were an end in itself."

He added: "There is graft in City Hall, greed on Wall Street, influence peddling in Washington. The fact is prosperity has a purpose. I want a kinder, gentler nation."

These are words in which Mr Dukakis would find little to dispute. He would, however, disagree with some of the more conservative views which Mr Bush, with one eye on the past and the other on the ballot box, is parading his obtuse opposition to tax increases, his anti-shortion stance, his opposition to gun control, and the harsh criticism of the Carter administration's management of the US economy.

Yet Mr Bush's new-found eloquence is not in question. Instead, the mid doubts about his judgment have been revived by what even his closest advisers made clear was a

very personal decision on the selection of his running mate. Mr Bush has a history of choosing as his closest associates men of similar background and breeding. In this case, at least one of his top advisers supported Senator Dole but backed off when he recognised that personal chemistry was vital. Having stepped out of the shadow of one towering political figure, Ronald Reagan, Mr Bush wanted and needed the whole limelight for himself.

MAN IN THE NEWS

When the idea that Bill Hayden might become Australia's Governor-General was first floated a few months ago, people on all sides of politics could scarcely believe it.

Old Bill? Surely not, they said. How could he give up politics after 27 years? Didn't he still hanker after the prime ministership? After all, he's still only 55.

And why on earth the governor-generalship? Wasn't he the man who, as Labor Party leader, said in 1987 that the Governor-General should be put "in his proper place - as a ceremonial figure on leave from The Merry Widow?"

By last month the floated idea had become a firm offer to Mr Hayden. He had accepted, and Buckingham Palace consented. On Wednesday the announcement finally came: "Old Bill" had resigned his portfolio, his seat and the party and would be Governor-General from February.

Whether the news will quell the hubbub is another matter. Some think Bill Hayden can do no wrong, that he deserves the post and will demystify it. Others say he has betrayed his socialist beliefs and his republican inclinations. Still others worry that his appointment is the first step to a break with the monarchy.

So who is Bill Hayden? Youngsters know him as the country's Foreign Minister for the past five years. But most know him for being deposed by his colleagues in favour of the ambitious Bob Hawke just before the 1983 election which brought Labor back to power.

Yet the best part of his life story is of how he succeeded in becoming an MP. Raised in an industrial area of Brisbane, he was a child of the Depression who suffered a drunken father and working class background. To help support his mother he left school early and, by 20, became a policeman.

Bill Hayden

Working class kid still enjoying the ride

By Chris Sherwell

began educating himself. Being compassionate, he joined the left-wing Labor Party in Ipswich, near Brisbane, where he had been posted. In 1961 he won selection for the local seat of Oxley, then safe in Liberal Party hands. He won, and has held it ever since.

His first taste of ministerial power was under Prime Minister Gough Whitlam from 1972-75, when he became Federal Treasurer. He was regarded as effective and able - but the power did not last.

The dismissal of the Whitlam government by the Governor-General in 1975 is what makes the post Mr Hayden has now accepted so controversial. Just as Americans know what they were doing the day President Kennedy was assassinated, so Australians can pinpoint their lives with Sir John Kerr's extraordinary removal of Mr Whitlam in favour of Mr Malcolm Fraser.

When Labor was defeated

MAN IN THE NEWS

Because of this, it was assumed he still hankered for the number one job. Acceptance of the governor-generalship marks his final recognition that this will never happen.

Typically, he says he will not wear formal clothes, will probably dispense with the Rolls-Royce and will not accept a knighthood. Although he says he will avoid political controversy, he also insists he will address "matters of social commentary."

Predictably, many people are asking whether a 1975-style crisis could occur under Mr Hayden. He has already made it clear he would not depart from British practice and would act on the advice of the Government. But he has also acknowledged that the ingredients for a constitutional clash, namely the blocking powers of the Upper House, and the reserve powers of the Governor-General, remain in place.

So what of those republican sentiments? "I think we've all got a past to live down somewhere or other, and the odd aberrant comment that crops up. But I'm sustained by the many instances recorded in the Bible of people who redeem themselves as life goes by."

He readily betrays his sense of awe at his ascendancy. Musing on the idea before the announcement, he said: "I suppose it would allow my wife, my children, my grandchildren the opportunity to say - well, the old chap came from South Brisbane without much hope and from that sort of family background, and look where he ended up."

His cynical former press secretary, who saw Mr Hayden's move to the Foreign Ministry as the choice of a man "determined to remain a first-class passenger on the Bob Hawke steamroller," is more blunt about his latest appointment: "effective, able, sincere, decent, yes. All that, and more. But still a first class passenger enjoying the ride and the perks and the pay."

foreign policy has gained a much-needed economic orientation, and Australia's active role in the Western alliance has been maintained.

Bill Hayden is something of an enigma. On the one hand he is a man who, despite his background and partial deafness, is highly articulate, has a wide knowledge of public affairs, is a master of difficult briefs, and possesses an ego big enough to carry burdensome responsibilities. On the other he is a man with a chip on his shoulder, an occasionally excessive sense of self-doubt, and a bitterness about his treatment at the hands of his colleagues which has only recently melted.

He has travelled the world endlessly, almost indulgently, as Foreign Minister, but he never ignored the domestic political implications of his job. He cultivated relations with the Australian press, earning their respect and support for his frankness and openness.



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A.H. Hermann recalls the Soviet invasion of Czechoslovakia, 20 years ago

When the generals came to the castle

Through the haze of 20 years, the mental picture of the ten days starting on August 16 1968 comes out clearly, perhaps too clearly for comfort.

The contrast between the two baroque giants that flank the floodlit gate of the Prague Royal Castle, and running up the formal staircase. The stairs and the first row of reception rooms were deserted but for guards at the door leading to the large oval room.

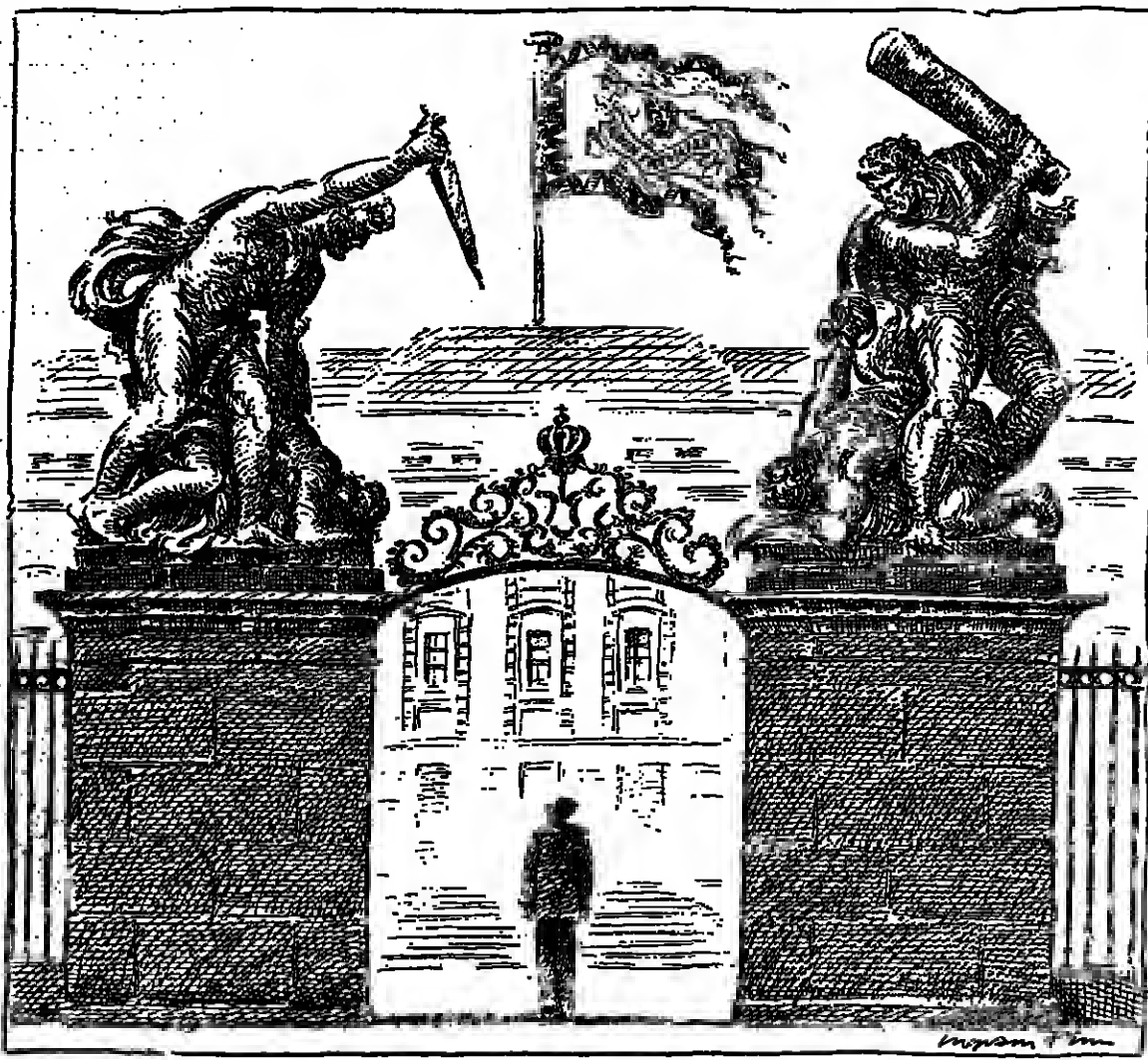
Entering that room was like moving into a Kafkaesque dream. President Ludvík Svoboda and three other men stood in the centre, forming a small quadrangle, lonely and lost in the vast dimly lit space.

Kosygi, the reformist Soviet premier, spent a fortnight in Karlovy Vary, the west Bohemian spa. He was trying to restrain the Czechs - who were talking their heads off without doing in fact very much - and to calm down Walter Ulbricht, the East German party boss, who imagined the Czechs were doing more than they said and was frantic with fear that his well-disciplined but unhappy Germans could be infected by the Czech bug of freedom.

Meanwhile, the other Soviet faction sent General Yepitchev, the political chief of the Red Army, to make sure that the Czech high command was loyal to Moscow rather than to Prague. He made no secret of the intention of Soviet marshals to move in, if necessary.

Aware of these intentions, the Czechs resisted Brezhnev's pressure to hold Warsaw Pact exercises in Czechoslovakia. In the end Dubcek agreed. After the exercises ended on July 1, Soviet "signal units" stayed behind in Czechoslovakia. The Czech reformers knew then that only a miracle could save them.

A month later, it looked as though the miracle had happened, when the Soviet and Czech party leaderships met in Cerna, a railway station on the Soviet border with Slovakia. After shouting and abusing Dubcek, President Svoboda, and the entire Czech Politburo for the best of two days, Brezhnev suddenly calmed down and agreed to another meeting. Prague optimists attributed this to letters received in Moscow on July 30 from Marshal Tito, President Ceausescu and 16 western communist parties, demanding that the Soviet Union cease to interfere in Czech domestic affairs.



be banked on the reluctance of the Soviet Union, threatened in the Far East, to start a war in central Europe, and to risk the retreat of the million-strong Czech army into West Germany.

I felt I had seen enough. But before I could leave, Jiri Hajek, the Foreign Minister, grabbed my arm and led me in. I got into conversation with Oldrich Cernik, the Prime Minister, a pragmatic exponent of heavy industry, the sector greatly favoured and subsidised in Moscow's orders.

4,000 Tatra lorries was the background to the public Soviet displeasure with the Czech press. The radical reformists were represented in the government by Ota Sik, the deputy prime minister in charge of the economy.

meeting of Czech journalists brought to an end the self-censorship practiced since the Communist takeover in 1948.

This enabled Stalinists in the Party establishment, to seek support in Moscow before Dubcek could consolidate his position at home and abroad. The Prague Spring became all glasnost, with various factions of intellectuals trying to outdo each other in radicalism, unsupported by any kind of real power. Dubcek, an obviously decent and well-meaning man, became a popular hero before he had the power and time to act.

An East German journalist approached me as I parted from Sik. He asked me, by any kind of real power, Dubcek, an obviously decent and well-meaning man, became a popular hero before he had the power and time to act. Not a very decisive character, he scissored between the radicals and the conservatives, between the domestic clamour for freedom and economic efficiency and the Warsaw Pact's opposition to such novelties, which was skilfully and deviously orchestrated from East Germany.

Returning from a weekend in the country, I found Prague remarkably quiet. On Tuesday, August 20, Rude Pravo, the Communist Party newspaper, appeared with a old-style leader which led me to say in my afternoon commentary on Radio Canada that the collapse of the Prague reforms was imminent.

Later in the night, with some inside help, the Soviet tanks started to land on a troop carrying plane every minute at Prague airport. A commando unit kidnapped Alexander Dubcek, Oldrich Cernik and two other members of the Politburo. A few days later, they reached Moscow in a state of shock, after

they had been exposed to all sort of humiliations under way and in a prison in Lvov.

When President Svoboda refused to appoint a puppet government, he was taken to Moscow, but refused to talk without the kidnapped leaders in the end, on August 26, they all signed a capitulation. It was not so much about ideology and reform as about the acceptance of the occupation, reintroduction of press censorship - and the delivery of the pelletisation plant and 4,000 Tatra lorries.

Overnight, the invasion turned a Prague Spring that had mainly been a concern of the intellectuals into an unarmed national uprising - one that drew on the spiritual heritage of the fifteenth century Czech protestants who kept the Catholic monarchs at bay for 16 years. Their 1968 descendants, however, apart from throwing stones and setting one tank on fire, mainly confined themselves to noisy demonstrations.

Some of the bewildered Soviet soldiers, unused to public protests and to being told that they were sent to suppress the real, humane, communism, lost their heads and started shooting. The disarmed Czechs answered with graffiti in the walls, one particularly memorable, would today appear in Mikhail Gorbachev. It read: "Lenin wake up, Brezhnev has gone mad."

But there was method in Brezhnev's madness. It was called "normalisation" and survived a full 20 years. It made the Czechs even more apprehensive than they were before. Now, they wish Gorbachev well but fear that he may be defeated by the neo-Stalinists, like others before him. They do not appreciate that in contrast with Dubcek, the Soviet reformers are building on solid foundations of political power. Even before he reached the highest office, Gorbachev's right-hand man, Mr. Chernenko, the provincial party apparatus of inflexible Stalinists. Later he removed Marshal Sokolov and rejuvenated the supreme command of the Red Army. He has been pruning the party and state bureaucracy ever since. While glasnost is being introduced only in small, controlled doses, international respect for the new Soviet regime is growing in the minds of the ordinary local wars all over the world.

The sceptical Czechs may yet be in for a pleasant surprise. The author was FT correspondent in Prague from 1964 to 1968. He is now the paper's legal correspondent.

EVENTS OF 1968

- January 5 Party dissatisfaction with First Secretary Antonin Novotny leads to his replacement by Alexander Dubcek. Novotny remains President. February Dubcek promises "widest possible democratisation". Ota Sik calls for radical economic reform. Press censorship ends. April 5 General Ludvik Svoboda elected President. June Warsaw Pact exercises in Czechoslovakia. August 21 Czech and Soviet leaders meet in Cerna. August 20/21 Soviet army invades Czechoslovakia, Czech leaders abducted to Moscow.

LETTERS

The rest are outsiders

From Mr Toby Eckersley. Sir, A.H. Hermann, your legal correspondent points out (August 18) that "many wise people express doubt as to whether the insider trading legislation can be enforced."

have knowledge of the true beneficiary of deals at the moment they are being done. This may be hard to achieve within the constraints of the City of London's traditions and the "globalisation" of securities markets, but it would be a healthier route to pursue than the current farrago of legalisms and litigation.

Beset by gilt

From Mr R.P. Wilkinson. Sir, Simon Holberton (August 10) makes the point that for 300 years the gilt market has been a key arena for the operation of the UK government's monetary policy.

high interest rates necessary to sell gilts dampened demand, reduced inflationary pressure and also the supply of money. Sooner or later the inflationary bias was reduced - hence the theory was vindicated.

disenchantment with the equity market (no gilt-edged offerings, lack of privatisation issues), private savings will tend towards bank and building society deposits.

Policy put on record

From Mr Peter Andry. Sir, While I do not disagree with some of Philip Rawther's sentiments (August 11), I would suggest that the market percentages quoted in the article for the big classical recording companies (presumably obtained from RCA) reflect US sales rather than the world sales they are purported to represent.

label for many years. EMI's "corporate philosophy" of excellence in classical music has signed many artists who the best five years. The importance of British artists within EMI's international roster reflects both their ever-greater prominence in the classical marketplace and a company in the hands of a group of people who care about music" since 1888.

Revaluation period extended

From Mr David Boddy. Sir, In his article on the impact on national retailers of rates and revaluation (August 5), Maggie Urry cited figures produced by this company during our research for 10 national retail groups into the impact upon them of the unified business rates and revaluation.

increases will average just over 30 per cent, with some reaching almost 50 per cent. But she did not make clear that these increases would be each and every year during the proposed transitional period from 1990 - 1995.

From the population point of view, in 1970 the population of Hussein's Kingdom was about 2.5m. About 1.5m of these lived east of the river, so that the proportion of "his subjects" which he lost in 1967 was about 37 per cent of the total - which is a long way from "most".

Disputed territory on the West Bank

From Mr Roger Morris. Sir, While your article "Confusion and disarray in a disputed land" (August 4) is, in the main, an interesting analysis of possible developments in the near future in what you call "the occupied territories", it embodies one short statement which cannot go without challenge.

or as "Judaea and Samaria," was not at that time occupied by Israel; it was re-occupied by Israel. At the end of the Palestine Mandate in 1947-48, the relevant United Nations Resolutions accorded more than 70 per cent of Palestine, the trans-Jordan part, as a fief to the Hashemite family, so that Hussein's grandfather, Abdullah, became King of the new Kingdom of Jordan.

stage, when Abdullah's grandson, Hussein, caused his army to renew its unsuccessful military campaign against Israel, his forces were pushed back to the 1948 borders.

From this the conclusion can be drawn that when UN Resolutions call upon Israel to return to its pre-1967 borders (and as such, Resolutions must be taken to mean its lawful border - that is to say, the 1947 one), it is calling upon Israel to return to those borders with Jordan upon which it presently sits.

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Table with columns: Product, Applied rate net, Net CAR, Interest paid, Minimum balance, Access and other details. Lists various investment products from Abbey National, Alliance and Leicester, Barclay's, etc.

UK COMPANY NEWS

Dublin-based investment company to develop cash and carry chain Fitzwilton buys Roy Hall group

By Kieran Cooke in Dublin FITZWILTON, the Dublin-based industrial investment company headed by Mr Tony O'Reilly, the chief executive of the US Heinz group, has announced plans to take over the UK Roy Hall Cash and Carry operation.

Fitzwilton is to acquire 85 per cent of Roy Hall for an initial cash payment of £6.8m. An additional £800,000 will be paid by Fitzwilton based on Roy Hall's year-end profits.



Mr Tony O'Reilly: "We will be in the front office for the guys who will revolutionise Europe."

Mr O'Reilly says that Fitzwilton will grow by acquisition and sees the company as a vehicle for promoting US investments in Europe.

De Savary allows his Falmouth bid to lapse

By David Waller A BITTER takeover saga drew to a close yesterday when Mr Peter de Savary, the yachting entrepreneur, dropped his £3m bid for the Falmouth Hotel group, a private company owned by approximately 120 Cornish shareholders.

Wistech receives approaches from three possible suitors

By Clay Harris WISTECH, specialist cleaning and materials group, has received three approaches, at least one of them from a foreign company, which could lead to a takeover of the substantial shareholding by an outside party.

Cairst Group, waste disposal company, which withdrew a proposed offer worth £7.5m in July after seeing an auditor's report, is not one of the current suitors.

Among the possible contenders is Compagnie Générale des Eaux, the French group which has been an active investor in UK statutory water companies and has signalled recently its intention to move into waste disposal as well.

SHT goes for further US growth

By Vanessa Houlder SCOTTISH HERITABLE Trust, the York-based industrial and property group, has moved further into the US with the acquisition of a 28.14 per cent stake in Rangaire Corporation, a Texas-based diversified industrial company, for \$8.13m (£4.78m).

Delays hamper Raine offer

By Andrew Hill RUBEROID, the roofing materials company, said yesterday its contested £12m bid for Raine Industries, including interest, against auditors Ernst & Whinney would not reach the courts this year.

of the Camrex claim was successful, final and binding, and payment was received before the end of 1988.

Norbain to sell division as profits slip to £10,000

THE POOR performance of its computer sales division caused a drop in pre-tax profits for the year to April 30 at Norbain Electronics, distributor of electronic components.

Berisford makes its move

By Paul Cheseright, Property Correspondent S&W BERISFORD, the financial services and property group which owns British Sugar, yesterday moved, through its Swiss subsidiary Erlanger Commercial, to mop up the preferred shares in Billingsgate City Securities by offering to buy the whole of the issue at 130p a share.

Losses up at Rodime to \$5.29m

By James Burton, Scottish Correspondent RODIME, the Scottish-based company which makes Winchester computer disk-drives, incurred increased third-quarter operating losses, owing to the slow build-up of production of its new product lines.

Zurich takeover of Ecobric hits snag

By Philip Coggan THE RECOMMENDED takeover of Ecobric Holdings, the USM-quoted demolition company by private property company, Zurich Group, has hit a snag which could threaten the success of the offer.

Newage up at £1.52m midway

Newage Transmissions, the USM-quoted maker of gearboxes and transmissions which is the subject of an agreed £18.2m bid from Williams Holdings, the acquisitive industrial conglomerate, lifted pre-tax profits for the first half of 1988 from £1.18m to £1.52m.

Monument bid lapses

THE 12p-a-share offer by Nimex Resources, the private oil company headed by Mr Tony Craven, for the shares of Charterhouse Petroleum, for Monument Oil and Gas has lapsed.

Foreign ownership of BAE down

Foreign ownership of British Aerospace fell marginally in the past month to 11.04 per cent, its lowest since going private.

GrandMet to repay stock

Grand Metropolitan, the drinks and leisure group, is proposing to repay its 10 per cent secured loan stock 1991/96 at £103 for every £100 nominal, together with accrued interest.

Nadir has 26% of Polly Peck

Mr Asil Nadir, chairman and chief executive of Polly Peck International, has signed up his stake in the company with the purchase of a further 1.5m shares (just under 1 per cent of the equity). They were bought on Monday and Thursday through Restro Investments, a private company beneficially owned by Mr Nadir, at prices ranging between 214p and 242p.

Table with columns: Issue Price, Amount Paid, Latest Bid, 1988 High, 1988 Low, Stock, Closing Price, % Chg. Includes rows for various companies like Anglo-Continental, Anglo-Continental, Anglo-Continental.

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Aerospace improves to £2.21m

Aerospace Engineering lifted pre-tax profits from £1.54m to £2.21m in the year ended April. The final dividend is 1.56p for a total of 3.12p. That compared with a scrip adjusted 2.6p turnover rose 18 per cent to £17.65m (£14.9m).

ICI arm to buy four pvc makers

Imperial Chemical Industries confirmed yesterday that Eurochem Vinyls - a joint venture with EniChem, the Italian chemical company - was to buy four European manufacturers of pvc products. The UK group, which is a shareholder in all four companies, said the total cost of the acquisitions was less than £100m.

Fergabrook suspended

By Nikki Tait SHARES IN Fergabrook Group, the distributor of toys, security products and cosmetics, have been suspended at 17p. An announcement from the company, which requested the suspension, said that discussions were underway which "may lead to an increase in the company's capital base".

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Applied Holographics

Applied Holographics, the loss-making manufacturer of security products, is paying £1.5m to buy out its partner in Transfer-All Purpose Foils, a manufacturer of hot stamping foils.

Sherwood expands lace-making side

By Alice Rawsthorn SHERWOOD GROUP, textile concern, which has staged a series of acquisitions since joining the USM two years ago, is expanding its lace-making interests by buying Floral Textiles for £1m.

Public Works Loan Board Rates

Table with columns: Term, Effective August 17, Rate. Includes rows for 1 month, 3 months, 6 months, 12 months.

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Rights Offers

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Company News in Brief

BABYGR0 HOLDINGS shareholders have accepted the offer from Robert H. Lowe in respect of 83.3 per cent of the capital. The offer has been declared unconditional and remains open.

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FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table of FT-Actuaries World Indices for Thursday August 18 1988 and Wednesday August 17 1988. Columns include US Dollar Index, Pound Sterling Index, Local Currency Index, and Dollar Index. Rows list various countries and regions like Australia, Canada, Europe, etc.

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local). Latest prices were available for this edition.

TODAY: 20th anniversary of Warsaw pact invasion of Czechoslovakia. Iraq-Iran truce talks... Congress House, London: British National Space Centre statement on British involvement in European space station programme.

ECONOMIC DIARY: Oslo, (until August 24). 'Cold Groups' NATO military exercise starts in Denmark with 17,000 troops. Workers at Lenin shipyard, at Gdansk in Poland, plan strike in support of recognition of Solidarity. Legislative council elections, Hong Kong.

and trade union membership in Britain's inner cities. Second quarter preliminary figures for gross domestic product (output-based). US figures for durable goods orders for July. Australian budget presented. British Communist Party launches new policy document.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume in major stocks for various countries including USA, UK, France, Germany, Italy, Spain, etc. Columns include Volume, Change, and Price.

FT-ACTUARIES SHARE INDICES

Highs and Lows Index. Columns include Index No., High, Low, and Date.

Table of FT-Actuaries Share Indices for Friday August 19 1988. Columns include Index No., High, Low, and Date. Rows list various equity groups and sub-sections like CAPITAL GOODS, BUILDING MATERIALS, etc.

FIXED INTEREST

Table of Fixed Interest rates for various maturities and currencies. Columns include Price, Yield, and Maturity.

Table of Average Gross Redemption Yields for various fixed interest instruments. Columns include Yield, Maturity, and Instrument.

BASE LENDING RATES

Table of Base Lending Rates for various banks and currencies. Columns include Bank Name, Rate, and Currency.

EUROPEAN OPTIONS EXCHANGE

Table of European Options Exchange rates for various series and dates. Columns include Series, Vol, Last, and Date.

THE NETHERLANDS. The Financial Times proposes to publish this survey on: 10th October 1988. Contact: Richard Willis Amsterdam 23 94 30/22 56 68.

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INTERNATIONAL COMPANIES AND FINANCE

Opponents highlight legal hurdles to Aerolineas deal

By Gary Mead in Buenos Aires

THE PERONIST opposition party in Argentina's Congress has strongly condemned the deal between Aerolineas Argentinas, the state-owned airline, and SAS, the Scandinavian carrier.

into state enterprises, and another which obliges the Government to call for public tenders when considering privatisations, be they full or partial.

figure, but sources close to the negotiations have revealed that a discrepancy over the valuation exists and that it may still cloud the deal.

Liberty Life cautious despite firm gains

By Jim Jones in Johannesburg

LIBERTY LIFE, South Africa's third-largest insurance group, lifted its interim pre-tax income by more than one fifth in the six months to June 30, but is cautious on the immediate outlook following the introduction of new taxes on life offices' profits.

Eastern Air faces vote over wages

By Martin Stanbridge in New York

MEMBERS OF the union representing machinists and baggage handlers at Eastern Air Lines, the struggling subsidiary of Texas Air, the biggest US airline holding company, are to vote on the company's latest wage cutting offer.

The talks between the company and the union have been conducted under the supervision of a Federal mediator for more than half a year.

Eastern's management has called for the process to be released from the auspices of the National Mediation Board so that after a 30-day cooling off period the company would be free to impose its offer and the union free to strike.

Pan Am yesterday declined to say which banks it was consulting and said it had no planned timetable for the sale.

Lower taxes help boost ABN

By Laura Raun in Amsterdam

ALGEMENE BANK Nederland (ABN), the biggest bank in the Netherlands, lifted its first-half earnings by 19.5 per cent due mostly to lower taxes and provisions for bad loans.

Revenue increased 7 per cent to F1 2.28bn from F1 2.14bn, as an advance in interest income offset a decline in commission earnings. Costs increased 8 per cent to F1 1.57bn from F1 1.46bn, fuelled by increases in salaries, automation and depreciation.

International activities, notably those in the US, improved on domestic performance, with credit lending and corporate banking in the US contributing to the rise.

Correction

De La Rue/Amatil

DE LA RUE OF THE UK has asked us to make clear that it retains full ownership of Fortronic Technology Holdings Ltd of Scotland and Fortronic Ltd, its subsidiary.

Hispano Suiza secures further acquisition

By Tom Burns in Madrid

GRUPO HISPANO SUIZA, an industrial holding company that introduced the "blind" investment pool business to Spain, has secured its second large acquisition within six months.

last year on sales of 55.8m. Earlier this year, Grupo Hispano Suiza, which is listed on the Madrid Stock Exchange, acquired Mecosa, a distributor of street and snow clearing equipment.

Hispano Suiza International, which is controlled by 11 international institutions, among them Robert Fleming, M&G Management, Kleinwort Benson Lonsdale and the Commercial Union Assurance.

for a bargain. In 1987, its first full year of trading, Grupo Hispano Suiza posted a consolidated pre-tax profit of 23.5m against 1169.344 in the nine-month period ended December 31 1986.

Hang Seng Bank expands by 17.1%

By Michael Murray in Hong Kong

HANG SENG BANK, a subsidiary of the Hongkong and Shanghai Banking Corporation, yesterday reported attributable profits of HK\$483.6m (US\$62m) for the six months to June 30, an increase of 17.1 per cent over last year's first half.

expectations, and the bank said it was confident the performance could be maintained for the year as a whole.

mortgage lending and trade finance, is seen as a good indicator for the health of the colony's banking sector.

Recovery at UMW after financial restructuring

By Wong Sulong in Kuala Lumpur

UNITED Motor Works (UMW), the Malaysian heavy equipment and motor group which undertook a large financial restructuring last year following several years of heavy losses, has reported a small pre-tax profit of 1.1m ringgit (\$16,000) for its first half to June.

Recovery at UMW after financial restructuring

UMW said the logging industry in east Malaysia remained buoyant and continued to generate high demand for heavy equipment and parts.

Malayan United to omit dividend after reverse

By Our Kuala Lumpur Correspondent

MALAYAN United Industries (MUI), the diversified group controlled by Tan Sri Koo Kay Peng, the Malaysian businessman, has reported its first after-tax loss of 3.4m ringgit (\$1.28m), and is omitting its final dividend.

Malayan United to omit dividend after reverse

ringgit, compared with a previous profit of 9.5m ringgit. MUI said the earnings deterioration was largely due to bad debt provisions and suspension of interest on non-performing loans by its banking and finance subsidiaries, as well as losses in the hotel business.

Week in the Markets

ZINC PRICES resumed their upward course this week. In spite of the disappearance of a significant bullish factor - the Peruvian miners' strike.

based on an index-linked pay deal and retirement concessions, was clearly bearish for the zinc market. But it came as no great surprise, end in view of the strong fundamental background.

Chart-followers also played a major part in the copper market's strong performance this week, dealers said.

Chartists buying, taking the three months price through a resistance point at about \$1,250 a tonne to \$1,298.50 a tonne, was fuelled by the strength of copper on the New York Commodity Exchange (Comex).

Complex prices have been rising in response to a fall in warehouse stocks, reflecting good demand from brass and rod mills.

The Subsidy labour contract expires tomorrow, and until Thursday the "announcement of the resolution of what was described as a 'key contract' issue" a strike had been widely anticipated.

up on the week at £1,030 a tonne - the highest level for several weeks. Their market conditions may have been a factor in coffee's rise, but for London's cocoa futures market that same factor led the way clear for fairly modest selling pressure to push values to 7-year lows yesterday.

Richard Mooney

WEEKLY PRICE CHANGES table with columns for Commodity, Latest prices, Change on week, Year, High 1988, Low 1988.

SPOT MARKETS

SPOT MARKETS table with columns for Commodity, Price, Change.

COCOA 1/2000

COCOA 1/2000 table with columns for Date, Price, Change.

COFFEE 1/2000

COFFEE 1/2000 table with columns for Date, Price, Change.

GRAINS 1/2000

GRAINS 1/2000 table with columns for Date, Price, Change.

US MARKETS

US MARKETS table with columns for Commodity, Price, Change.

NEW YORK

NEW YORK table with columns for Commodity, Price, Change.

CHICAGO

CHICAGO table with columns for Commodity, Price, Change.

WORLD COMMODITIES PRICES

WORLD COMMODITIES PRICES table with columns for Commodity, Price, Change.

WORLD STOCK MARKETS

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NEW YORK (3 pm)

Table of New York stock market data including various stock prices and indices.

Wall Street

Investors take profits after rises

EARLY gains evaporated but stocks were still higher in light trading at midday on Wall Street yesterday.

Canada

GOLD stocks moved higher but energy and industrial issues were mixed in Toronto at mid-session.

Tokyo

TRADING picked up as the summer holiday season neared its close, and shares ended near their day's highs in spite of some profit-taking.

Paris

GOOD industrial output data for June and a firmer trend on Wall Street encouraged French shares higher in a moderately active, pre-weekend session.

Hong Kong

SLIGHT gains followed bargain hunting in Hong Kong in spite of an absence of news.

Australia

BLUE CHIPS led stocks higher for the third consecutive day in moderately strong trading.

Amsterdam

A WEAKER dollar and a firmer start on Wall Street left shares mixed in quiet business.

Frankfurt

SHORT-COVERING supported prices towards the end of the session as shares closed lower but at their day's highs.

North American closing prices

Table of North American closing prices for various markets.

FRANCE

Table of French stock market data.

GERMANY (continued)

Table of German stock market data.

NETHERLANDS (continued)

Table of Dutch stock market data.

CANADA (3 pm)

Table of Canadian stock market data.

NETHERLANDS (continued)

Table of Dutch stock market data.

ITALY

Table of Italian stock market data.

NETHERLANDS (continued)

Table of Dutch stock market data.

JAPAN

Table of Japanese stock market data.

NETHERLANDS (continued)

Table of Dutch stock market data.

NETHERLANDS (continued)

Table of Dutch stock market data.

NETHERLANDS (continued)

Table of Dutch stock market data.

INDICES

Table of various stock indices including Dow Jones, S&P 500, and others.

CANADA

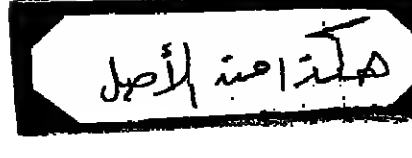
Table of Canadian stock market data.

NEW YORK ACTIVE STOCKS

Table of active New York stock market data.

NOTES - Prices on this page are quoted on the individual companies and are last traded prices, unless otherwise stated. All figures are in US dollars, unless otherwise stated.

LONDON STOCK EXCHANGE: Dealings



Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Tallman system.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Bargains at special prices are bargains done the previous day. Bargains done with non-member, or executed in overseas markets.

British Funds, etc

British Funds, etc. No. of bargains included 171. Includes various fund names and their respective prices.

Corporation and County Stocks

Corporation and County Stocks. No. of bargains included 1. Includes various corporation and county stock names.

UK Public Boards

UK Public Boards. No. of bargains included 10. Includes various public board names.

Foreign Stocks, Bonds, etc

Foreign Stocks, Bonds, etc. (London) No. of bargains included 10. Includes various foreign stock and bond names.

Banking and Discount Companies

Banking and Discount Companies. No. of bargains included 1018. Includes various banking and discount company names.

Chemicals

Chemicals. No. of bargains included 1018. Includes various chemical company names.

Engineering

Engineering. No. of bargains included 1018. Includes various engineering company names.

Food and Drink

Food and Drink. No. of bargains included 1018. Includes various food and drink company names.

Textiles

Textiles. No. of bargains included 1018. Includes various textile company names.

Transport

Transport. No. of bargains included 1018. Includes various transport company names.

Utilities

Utilities. No. of bargains included 1018. Includes various utility company names.

Other

Other. No. of bargains included 1018. Includes various other company names.

Financial Trusts, Land, etc

Financial Trusts, Land, etc. No. of bargains included 1018. Includes various financial trust and land names.

Mines - Miscellaneous

Mines - Miscellaneous. No. of bargains included 1018. Includes various mine names.

Water Works

Water Works. No. of bargains included 1018. Includes various water works names.

USM Appendix

USM Appendix. No. of bargains included 1018. Includes various USM names.

Property

Property. No. of bargains included 1018. Includes various property names.

Insurance

Insurance. No. of bargains included 1018. Includes various insurance names.

Investment Trusts

Investment Trusts. No. of bargains included 1018. Includes various investment trust names.

Other

Other. No. of bargains included 1018. Includes various other names.

The Third Market Appendix

The Third Market Appendix. No. of bargains included 1018. Includes various third market names.

Plantations

Plantations. No. of bargains included 1018. Includes various plantation names.

Railways

Railways. No. of bargains included 1018. Includes various railway names.

Shipping

Shipping. No. of bargains included 1018. Includes various shipping names.

Utilities

Utilities. No. of bargains included 1018. Includes various utility names.

Water Works

Water Works. No. of bargains included 1018. Includes various water works names.

Mines - Miscellaneous

Mines - Miscellaneous. No. of bargains included 1018. Includes various mine names.

USM Appendix

USM Appendix. No. of bargains included 1018. Includes various USM names.

Property

Property. No. of bargains included 1018. Includes various property names.

THE NETHERLANDS. The Financial Times proposes to publish this survey on: 10th October 1988

For a full editorial synopsis and advertisement details, please contact: Richard Willis, Amsterdam 23 94 30/22 56 68

or write to him at: Financial Times (Benelux) Ltd, Herengracht 472, 1017 CA Amsterdam

MOBILE COMMUNICATIONS. The Financial Times proposes to publish this survey on: 12th September

For a full editorial synopsis and advertisement details, please contact: Stephen Dunbar-Johnson, on 01-248 8000 ext 4148

or write to him at: Bracken House, 10 Cannon Street, London EC4P 4BY

FINANCIAL TIMES. LONDON'S BUSINESS AND FINANCIAL NEWS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Aegis Unit Trust, and others, with columns for name, manager, and dates.

Table listing unit trusts under the heading 'Brown Shipley & Co Ltd' and 'Equitable Units Admin Ltd', including names like Brown Shipley & Co Ltd and Equitable Units Admin Ltd.

Table listing unit trusts under the heading 'Equitable Units Admin Ltd' and 'London & Manchester Trust', including names like Equitable Units Admin Ltd and London & Manchester Trust.

Table listing unit trusts under the heading 'London & Manchester Trust' and 'M & S Securities Co (UK) Ltd', including names like London & Manchester Trust and M & S Securities Co (UK) Ltd.

Table listing unit trusts under the heading 'M & S Securities Co (UK) Ltd' and 'Royal London Unit Trusts', including names like M & S Securities Co (UK) Ltd and Royal London Unit Trusts.

Table listing unit trusts under the heading 'AEGIS Unit Trusts' and 'Allied Dunbar Unit Trusts', including names like AEGIS Unit Trusts and Allied Dunbar Unit Trusts.

Table listing unit trusts under the heading 'Allied Dunbar Unit Trusts' and 'Barclays Unit Trusts', including names like Allied Dunbar Unit Trusts and Barclays Unit Trusts.

Table listing unit trusts under the heading 'Barclays Unit Trusts' and 'Capital House Unit Trusts', including names like Barclays Unit Trusts and Capital House Unit Trusts.

Table listing unit trusts under the heading 'Capital House Unit Trusts' and 'City Financial Services & Investments Ltd', including names like Capital House Unit Trusts and City Financial Services & Investments Ltd.

Table listing unit trusts under the heading 'City Financial Services & Investments Ltd' and 'City Financial Services & Investments Ltd', including names like City Financial Services & Investments Ltd.

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Table listing unit trusts under the heading 'City Financial Services & Investments Ltd' and 'City Financial Services & Investments Ltd', including names like City Financial Services & Investments Ltd.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699. Reuters Code: IGIN, IGIO.

LEADERS AND LAGGARDS. Percentage changes since December 31 1987 based on Thursday August 18 1988. Lists various sectors like Property, Leisure, Electronics, etc.

RISES AND FALLS. On Friday, On the week. Lists various sectors like British Funds, Corporate, Financial and Prop, etc.

BANK RETURN. BANKING DEPARTMENT. LIABILITIES, ASSETS. ISSUE DEPARTMENT. LIABILITIES, ASSETS.

Table listing unit trusts under the heading 'City Financial Services & Investments Ltd' and 'City Financial Services & Investments Ltd', including names like City Financial Services & Investments Ltd.

Table listing unit trusts under the heading 'City Financial Services & Investments Ltd' and 'City Financial Services & Investments Ltd', including names like City Financial Services & Investments Ltd.

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Table listing unit trusts under the heading 'City Financial Services & Investments Ltd' and 'City Financial Services & Investments Ltd', including names like City Financial Services & Investments Ltd.

GUIDE TO UNIT TRUST PRICING. The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

Table listing unit trusts under the heading 'City Financial Services & Investments Ltd' and 'City Financial Services & Investments Ltd', including names like City Financial Services & Investments Ltd.

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FT UNIT TRUST INFORMATION SERVICE

Main table containing financial data for various unit trusts, including columns for Name, Price, Yield, and other metrics. The table is organized into sections such as 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

INSURANCES

Table listing various insurance policies and unit trusts, including details like 'Black Horse Life Ass. Co Ltd', 'Commercial Union Group', and 'Liberty Life Assurance Co Ltd'.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts, including 'Charities Official Investment Funds', 'Local Authorities Mutual Funds', and 'National Investors Ltd'.

FT UNIT TRUST INFORMATION SERVICE

Main table containing FT Unit Trust Information Service data, including columns for Fund Name, Price, Yield, and other financial metrics. The table is organized into multiple columns and rows, listing various investment funds and their performance.

MANAGEMENT SERVICES

David M. Aarons Personal Fin. Planners Ltd.
The Analysts Group PLC
The British Financial Services Ltd.
The British Financial Services Ltd.
The British Financial Services Ltd.

OFFSHORE AND OVERSEAS

Blackstone Finance PLC
Bryan Wallis & Partners Ltd.
Cambridge Law & Company Ltd.
Chase de Vries Investments Ltd.
The Bank of America

UK LISTED

Allied Dunbar International Fund Mgt.
A.I. Investment Services Ltd.
A.I. Investment Services Ltd.
A.I. Investment Services Ltd.

OFFSHORE INSURANCES

Ally International Assurance Ltd.
Alliance Assurance Co. Ltd.
Alliance Assurance Co. Ltd.
Alliance Assurance Co. Ltd.



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FT UNIT TRUST INFORMATION SERVICE

Main table of FT Unit Trust Information Service, listing various unit trusts with columns for name, price, and performance.

LONDON SHARE SERVICE

Main table of London Share Service, listing various shares and funds with columns for name, price, and performance.

OTHER OFFSHORE FUNDS

Table of other offshore funds, listing various international investment vehicles.

Money Market Trust Funds

Table of Money Market Trust Funds, listing various short-term investment options.

Money Market Bank Accounts

Table of Money Market Bank Accounts, listing various high-interest banking products.

LONDON SHARE SERVICE

Main table containing various stock market listings including AMERICANS-Contd, BUILDING, TIMBER, ROADS, ELECTRICALS, ENGINEERING-Contd, INDUSTRIALS (Miscel.)-Contd, CANADIANS, BANKS, HP & LEASING, CHEMICALS, PLASTICS, DRAPERY AND STORES, BEERS, WINES & SPIRITS, BUILDING, TIMBER, ROADS, BEERS, WINES & SPIRITS, HOTELS AND CATERERS, INDUSTRIALS (Miscel.), and LEISURE.

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LONDON SHARE SERVICE

LEISURE - Contd

Table of stock prices for Leisure sector including companies like Leisure Group, Leisure Leisure, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of stock prices for Paper, Printing, Advertising sector including companies like WPP Group, WPP Group, etc.

TEXTILES - Contd

Table of stock prices for Textiles sector including companies like Textiles, Textiles, etc.

TRUSTS, FINANCE, LAND - Contd

Table of stock prices for Trusts, Finance, Land sector including companies like Trusts, Finance, Land, etc.

OIL AND GAS - Contd

Table of stock prices for Oil and Gas sector including companies like Oil and Gas, Oil and Gas, etc.

MINES - Contd

Table of stock prices for Mines sector including companies like Mines, Mines, etc.

MOTORS, AIRCRAFT TRADES

Table of stock prices for Motors, Aircraft Trades sector including companies like Motors, Aircraft Trades, etc.

PROPERTY

Table of stock prices for Property sector including companies like Property, Property, etc.

TOBACCO

Table of stock prices for Tobacco sector including companies like Tobacco, Tobacco, etc.

TRUSTS, FINANCE, LAND

Table of stock prices for Trusts, Finance, Land sector including companies like Trusts, Finance, Land, etc.

OVERSEAS TRADERS

Table of stock prices for Overseas Traders sector including companies like Overseas Traders, Overseas Traders, etc.

PLANTATIONS

Table of stock prices for Plantations sector including companies like Plantations, Plantations, etc.

Commercial Vehicles

Table of stock prices for Commercial Vehicles sector including companies like Commercial Vehicles, Commercial Vehicles, etc.

Components

Table of stock prices for Components sector including companies like Components, Components, etc.

Garages and Distributors

Table of stock prices for Garages and Distributors sector including companies like Garages and Distributors, Garages and Distributors, etc.

Finance, Land, etc

Table of stock prices for Finance, Land, etc sector including companies like Finance, Land, etc, Finance, Land, etc, etc.

MINES

Table of stock prices for Mines sector including companies like Mines, Mines, etc.

Central Rand

Table of stock prices for Central Rand sector including companies like Central Rand, Central Rand, etc.

NEWSPAPERS, PUBLISHERS

Table of stock prices for Newspapers, Publishers sector including companies like Newspapers, Publishers, etc.

SHIPPING

Table of stock prices for Shipping sector including companies like Shipping, Shipping, etc.

SHOES AND LEATHER

Table of stock prices for Shoes and Leather sector including companies like Shoes and Leather, Shoes and Leather, etc.

SOUTH AFRICANS

Table of stock prices for South Africans sector including companies like South Africans, South Africans, etc.

TEXTILES

Table of stock prices for Textiles sector including companies like Textiles, Textiles, etc.

Regional & Irish Stocks

Table of stock prices for Regional & Irish Stocks sector including companies like Regional & Irish Stocks, Regional & Irish Stocks, etc.

Stock Exchange dealing classifications are indicated to the right of security names... This service is available to every Company that is on the London Stock Exchange...

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FINANCIAL TIMES

Weekend August 20/August 21 1988

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Smaller coal-fired power stations 'viable'

By Max Wilkinson, Resources Editor

NEW TECHNOLOGIES for building cleaner, smaller and more efficient coal-fired power stations could be economically attractive in Britain, according to an official report published yesterday.

The conclusion, reached after a seven-month study sponsored by the Department of Energy, has important implications for the Government, which wants to promote more competition in the electricity industry after privatisation in two to three years' time.

This is because the new technologies offer high thermal efficiencies and are thus potentially suitable for smaller-sized stations likely to interest independent power companies.

The study was carried out by the energy department's Advisory Council on Research and Development. It compared three technologies for extracting more useable energy from coal than that obtained from conventional plant.

Council members considered three types of plant, each of which combines turbines driven by gas or hot air with steam turbines of the type used for conventional, coal-fired generation. Such equipment, coupled with combustion technique improvements, enables energy normally wasted through chimneys to be used.

Another advantage is that systems using gasification are intrinsically cleaner because they can convert sulphur compounds (a cause of acid rain) into a chemical grade of sulphur.

The study concluded that plants of the type examined could produce electricity more cheaply than the most modern conventional plant equipped with pollution control.

Designs studied by council members represent advances on modern, "clean" coal-burning technologies which have recently become popular with small, independent power companies in the US. They are also being examined by the 12 area distribution boards in the UK.

The size of plant investigated was about 700MW, fairly large by US standards. The economics of scaling down such plant was not studied, but experts in Whitehall believe that quite small units of perhaps 200MW could prove economically attractive to private electric companies.

However, the study says that the 900MW turbine-generators planned by the Central Electricity Generating Board to succeed its standard 660MW sets could have a cost advantage of about 10 per cent. For very large sizes, therefore, the balance would tip back in favour of conventional plant - but only by a small amount.

Prospects for the use of advanced coal based generation plant in the United Kingdom. Energy paper No 56. HMSO. £3.20.

Chief price changes yesterday

FRANKFURT (Dm)		PARIS (Ffr)	
Pfizer	134.8	42	
Lifescan	343	6	
Karstadt	400.5	4.5	
Nordst	432.5	14	
Confil	243.5	2.5	
Lud	69	7	

NEW YORK (\$)		TOKYO (Yen)	
Amoco	46.2	+	1
Goodyear	58	+	2.5
Goodyear	58	+	2.5
Goodyear	58	+	2.5
Goodyear	58	+	2.5
Goodyear	58	+	2.5
Goodyear	58	+	2.5
Goodyear	58	+	2.5
Goodyear	58	+	2.5
Goodyear	58	+	2.5

LONDON (Pence)		LUCAS (Dm)	
Ries	427	+	7
Bowater	427	+	7
Bell Aero	517	+	13
Calor	353	+	20
Church & Co.	470	+	5
Delyn Pack	110	+	10
Dunhill	229	+	14
Irish Dist.	324	+	7
J'son Mathew	344	+	10
Lon. United	159	+	5

WORLDWIDE WEATHER

City	Temp	Wind	Cloud	City	Temp	Wind	Cloud
Algeria	28	10	10	London	18	10	10
Amman	28	10	10	Madrid	28	10	10
Amsterdam	18	10	10	Moscow	18	10	10
Athens	28	10	10	Mumbai	28	10	10
Bahia	28	10	10	Nairobi	28	10	10
Bangkok	28	10	10	Paris	18	10	10
Bombay	28	10	10	Rome	28	10	10
Buenos Aires	28	10	10	Singapore	28	10	10
Calcutta	28	10	10	Sydney	28	10	10
Cardiff	18	10	10	Taipei	28	10	10
Chennai	28	10	10	Tokyo	28	10	10
Colombo	28	10	10	Washington	28	10	10
Dhaka	28	10	10	Zurich	18	10	10
Dublin	18	10	10				

Pakistani leaders suspect sabotage

By David Housego and Christina Lamb in Islamabad

PAKISTAN'S government believes the death of President Zia Ul-Haq in Wednesday's aircraft crash was part of a plan to halt the country's widening military intervention in Afghanistan.

However, acting President Ghulam Ishaq Khan said yesterday that Pakistan's Afghanistan policy would not be changed.

Senior ministers believe that if sabotage was involved, the Pakistan security forces must have supported the action. They also consider that the Afghan intelligence services, the Khad, must have taken part.

Mr Nasim Aheer, the Minister of Interior, said he had no doubt that the explosion which destroyed the military aircraft was due to sabotage, organised "internally, but surely not without an external influence."

Comments from senior officials suggest a reluctance to blame the army and a lack of urgency in finding those responsible. Mr Ishaq Khan, the Minister of Information, even suggested that the inquiries might never establish who had been responsible.

One diplomat commented: "The more they blame foreign hands, the more I am convinced it is internal."

While Mr Soomro said he believed the saboteurs "must have had some support in Pakistan," he also put most blame on foreign agents - a theme likely to be increasingly voiced in coming days.

The armed forces have become increasingly disgruntled over President Zia's policy of involving the army in active operations in Afghanistan.

However, senior officials, unwilling to pin responsibility for the disaster on members of the armed forces, suggested that Afghan intelligence might have bribed security officials.

Mr Aheer believes a crucial pointer to responsibility for the attack was that the main proponents of President Zia's activist Afghan policy within the armed forces were killed on the plane. They included General Akhtar Abdul Rehman, the chairman of the Joint Chiefs of Staff and a close confidant of President Zia.

Pakistan's army has been increasingly providing military advisers to help the Afghan guerrillas. President Zia's goal was to see an Islamic regime established in Kabul.

The Minister of Interior said the government was warned three months ago that Afghan agents would switch their

attack from planting bombs in public places to targeting VIPs.

It is against this uncertain background that foreign leaders were gathered in Islamabad last night for the state funeral today of President Zia. Officials said a follow-up attack could not be ruled out.

Pakistan investigators were joined yesterday by American experts. Officials said they believed the crash was caused by an in-flight explosion rather than a missile. A box of mangoes - a favourite fruit of President Zia - was put aboard at the last minute.

The army's reluctance to be drawn back into domestic politics became increasingly clear yesterday.

Mr Soomro said the government might back party-based elections in November, thus reversing President Zia's position.

SIB to curtail compensation

By Clive Wolman

THE CONTROVERSIAL section of the new investor protection legislation which gives investors an automatic right to compensation for losses suffered through a breach of the rules is to be severely curtailed.

The Securities and Investments Board, the chief City regulator, yesterday published proposed changes to its rulebook which would allow investment firms to reject such claims if they have taken "all reasonable steps" to comply with the rules.

However, this dilution of section 62 of the Financial Services Act, due to come into force on October 3, will apply only to dealings with professional, business and experienced investors.

Other private, non-experienced investors will retain their original rights.

Most City practitioners believed until recently that changes in primary legislation through Parliament would be needed to modify section 62.

However, Mr David Walker, the new SIB chairman, appears to have found a way of removing the sting from the section merely by amending the SIB's conduct of business rules

which serve as a benchmark for the rules of the five self-regulating organisations.

However, SIB officials agreed yesterday that the amendment to apply for a nine-month trial period, may not discourage court battles.

The original provisions had the advantage of clarity: if a breach of the rules and a loss were established, the guilty would have to pay compensation with little scope for argument.

Now, however, litigation may be necessary to clear up uncertainty about what counts as "all reasonable steps."

The SIB is also proposing a tough provision to outlaw the use of exclusion clauses by investment firms.

Mr Walker said yesterday: "A customer agreement drawn up in accordance with the conduct of business rules is intended to inform and protect private investors, not to provide investment firms with a means of circumventing or avoiding their obligations to their clients."

One large firm of mainly provincial stockbrokers, for example, has attracted particular criticism from the SIB and the Securities Association, one of

the five SROs, for including a clause which seeks to prevent clients not only from suing under section 62 but also from appealing to the internal disciplinary procedures of the SIB.

In many cases, the courts would refuse to recognise such exclusion clauses, the SIB believes, but they might nevertheless deter ill-informed clients from seeking compensation.

For that reason they are to be banned from all client agreement letters after October 3, under the proposed rule changes.

A third proposed change amounts to a concession to the UK branches of overseas financial institutions which will not be subject to the SIB's disciplinary procedures of the SIB.

Until November 1, such firms will not have to disclose in marketing literature or directly to non-private clients that they have only interim authorisation, although their private clients will have to be told. Clients of interim authorised firms will not be covered by the SIB compensation scheme due to come into force on August 27.

Civilian chosen as Burmese leader

By Richard Gourley in Bangkok

BURMA yesterday regained its first civilian leader after 26 years of military rule.

He is Dr Maung Maung, the Attorney-General, who is close to Ne Win, the former party leader who resigned last month.

In a lengthy speech to an emergency session of the ruling army-dominated Socialist Programme Party after his appointment yesterday, Maung Maung said he was setting up a commission under Tin Aung Hein, the Minister of Justice, to study social, political and economic needs. The committee will report by October.

Aye Ko, the party general secretary, emphasised proposals for economic and political reforms to "realise the democratic rights of the people."

Diplomats in Rangoon said that although Maung Maung was highly qualified and was not an army man, appointment of a leader from within the party might not suffice to still the nationwide protests that have shaken the country for over two weeks.

Some students in Rangoon immediately called for a resumption of nationwide demonstrations today and for a general strike on Monday in order to press for political reform.

A general strike called on August 8 to protest against the one-party system turned into a week-long bloodbath when the army repeatedly fired into crowds of students, monks and workers throughout Burma.

As a result of the violence, in which diplomats believe thousands died, U Sein Lwin resigned as President and party chairman just 19 days after taking office from Ne Win.

Some parts of Maung Maung's speech to the party yesterday appeared to bear little relevance to the unrest.

"The threats and anger can be quenched by the cool waters of love and compassion, while wrongs can be righted with truthfulness," he said in the speech broadcast on Rangoon Radio.

The party has made a series of small concessions to democracy this week, for example by saying that nationalised newspapers will be returned to their former owners and by promising that non-party members will be allowed to stand for parliament.

However, diplomats said the army and the party still retained control.

Rangoon remained mainly quiet last night with only few demonstrators gathered around the general hospital. Elsewhere army control was much less tight, diplomats said.

Thousands marched peacefully in Mandalay, 375 miles north of Rangoon.

The student class support for the students continues to grow. The influential Burma Medical Association on Thursday released a paper supporting student demands for democracy.

Dismay greets Ne Win surrogate, Page 3

Goodison warns on EC protectionism

By Robert Taylor in Stockholm

A WARNING against protectionism inside the European Community as it moves towards the creation of a single market by the end of 1992 was given yesterday by Sir Nicholas Goodison, chairman of the Stock Exchange.

The City of London would "strongly oppose" any European Community measure which sought to develop European financial markets behind a ring fence, he said in Stockholm at the 125th anniversary celebrations of the Swedish capital's stock market.

"Their only effect would be to lull Europeans into a false complacency" was what they should be strengthening their ability to compete against the Japanese and the Americans, he said.

He reiterated the London stock exchange's strong opposition to a community draft directive which would allow the European Commission to bar third country firms from community markets if their home markets were not open to all EC member states.

"Its precise effect is anything but clear and it could promote, albeit unintentionally, a creeping European protectionism," he said. "I very much hope that such a proposal will not be implemented."

Sir Nicholas, who retires at the end of the year, told his audience that the City would continue to take a wider, international view of developments in the capital markets.

At the same time it would co-operate in efforts to establish what he hoped would be a "federal structure" between European stock exchanges through linking together the different computer systems, and agreement on common regulatory standards (includ-

ing listing requirements) on similar market practices and settlement procedures.

He visualised an eventual European inter-market trading system displaying on a single screen the prices for Imperial Chemical Industries, Peugeot or Volvo, for example, from whatever exchange was quoted - allowing the market's users to see the best prices throughout Europe.

"In time, this could cover not only European shares from any country in the world - a truly international market, screen-based in our own time zone," he said.

He made clear that he did not envisage the development of "a single integrated market in the EC for the exchanges." Technology was the key to the European market-place.

Sir Nicholas said he welcomed moves to eliminate remaining exchange control barriers in the EC, allowing companies the freedom to raise capital on the markets of other member states and to become listed on their stock exchanges.

Mr David Ruder, head of the US Securities and Exchange Commission, told the Stockholm audience he hoped to see legal agreements across the world that would lay down common and effective rules for dealing with insider trading, rumour mongering and market manipulation as well as greater uniformity on disclosure and information sharing.

"Anti-fraud laws should be the same in the EC and the rest of the world," he said. There should be "more efficient trading and clearing linkages" between the world's exchanges. He visualised a future where the markets would be "dominated by the automation phenomenon."

Pubs

Continued from Page 1

those concerned with alcohol abuse.

The police, however, have tended to support extra drinking hours. "It is not something we view with alarm," said Scotland Yard. It believes the change will spread the police workload, with pubs less likely to throw out their occupants to the streets all at once.

Inflation

Continued from Page 1

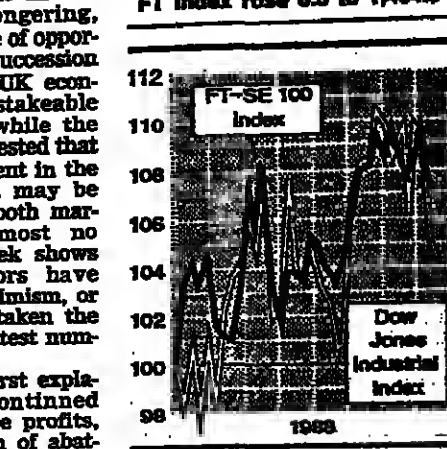
could then feed into average earnings and unit labour costs next year when output growth is widely expected to slow.

Commenting on the latest inflation figures, Mr Norman Fowler, Employment Secretary, said they showed little change in the overall position.

Latest international comparisons show that in May, Britain's inflation rate was higher than in the US, West Germany and France but below that in Italy. It was above the EC average.

Shrugging off the bad news

FT Index rose 8.3 to 1,484.5



Commission, its gentle statement yesterday thanking all and sundry for support so far suggests an air of resignation.

The market also judges the game to be up, and the tiny discount to the offer price shows no one expects the Irish Government to stop the bid - but neither do they think a rival bidder is likely to emerge.

Both suppositions seem reasonable: given that Ireland is trying to encourage foreign investment, it may not wish to block a bid that the EC has waved through, albeit on slightly different grounds. And Allied Lyons would need to want Irish Distillers very badly to compete with its erstwhile partner, while Pernod-Ricard's supposed interest has never graduated beyond rumour.

Philips/Whirlpool
The market would clearly prefer that Philips found another way of growing earnings apart from stripping its own assets; but it can scarcely say it was not warned. Three weeks ago, to soften the blow of appalling first half results, the Dutch company hinted that something was afoot to ensure earnings do not fall this year. The Whirlpool deal should guarantee that Philips reaches that fairly unremarkable goal; and after running the new business under a sort of management contract for a few years, Philips can then arrange a painless exit from the low growth domestic appliance market.

Strategically, that must make sense for a company whose future is in consumer electronics and information technology, if anywhere at all. But for those who may be interested in the financial rather than the industrial impact of the deal, there is little from Eindhoven to go on.

Irish Distillers
GrandMet can barely have had time to read the Panel's long-winded statement granting permission to bid for Irish Distillers before producing its new final offer. Not only the offer, but the 27 per cent increase in the price shows it is in earnest this time, although still not prepared to pay much over the odds. While the consortium's illegal £125p a share now looks like an effort by the big three to buy a soft target on the cheap, the new offer looks fair. Even though the p/e of 18 is inexpensive compared to what Seagram paid for Martell, the brands will need a good deal of investment; and in any case Irish whiskey is not, like cognac, an indispensable part of every major drinks portfolio. While Irish Distillers could doubtless have funded off the first offer easily without the help of the

The historic pie for the stake sold to Whirlpool is probably around 12 - although it could be 8 or 16 for all the information Philips has provided on the profitability of its major appliances business. Maybe it was confusion which kept the shares barely changed in Amsterdam yesterday - or maybe it was the sense that, whatever the strategic merits of the deal, Philips' credibility gap with investors has yet to be closed.

Whirlpool, for its part, can claim to have secured a 12 per cent share in a market with better prospects than the domestic American one, for no dilution. Such a move may have been inevitable for Whirlpool; but given the company's recent record of disappointments, that does not mean it will succeed.

Fitzwilton
It is not every day that the chief executive of one of America's most successful multinationals persuades a bevy of North American billionaires to take a stake in his pet Irish company. So yesterday's news that Fitzwilton, headed by Mr Tony O'Reilly, the Heinz chief executive - was paying \$6.8m for majority control of a cash and carry business headquartered in Manchester's Belle Vue was something of a let down. For those investors that like to ride on the coat tails of the "smart money", this was not the sort of megadeal they had been hoping for.

Nevertheless, Fitzwilton justified in calling on its shareholders for extra funds for the second time in less than a year; and given that its shares are trading on a historic multiple of close to 40 times earnings, there is considerable pressure on the company to perform. Clearly Mr O'Reilly and his wealthy friends, who control close to half the company, have big plans afoot. And while Fitzwilton's current market capitalisation of around \$100m may not sound like much, the combination of its wealthy contacts and a more imaginative approach to leverage means that it is thinking in terms of billion dollar deals.

Given Fitzwilton's chequered history - especially during the 1970s when it tried, and failed, to become Ireland's first multinational conglomerate - there must be a certain sense of déjà vu about its present rather grand ambitions. Mr O'Reilly has yet to prove that he is anywhere near as good an entrepreneur as a manager.

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Weekend FT

Section II

Weekend August 20/21, 1988

The beetle business

The Volkswagen originated from the Führer's demand for a cheap civilian car. Andrew Fisher reports on half a century of production

Hahn remembers vividly his first day at Volkswagen, the motor group founded 50 years ago as part of Hitler's drive to bring cheap motoring to the masses and which later became a world-wide symbol of West Germany's post-war economic recovery. It was in 1938, a few months after the 16-year-old former Hitler Youth member surrendered to British troops near his home town of Soltan in northern Germany.

As a courier for the Luftwaffe he had been drafted into the last-ditch resistance but, as Allied troops advanced, he and his colleagues saw the facility of the Soltan, 60 miles from the VW plant at Wolfsburg in north-central Germany, was one of several dispersal sites to which parts and equipment from there had been shifted during the heavy bombing raids of 1944. My supervisor told me to go home and fetch my swimming trunks. Why swimming trunks? I asked. On my first day, I and some others actually had to fetch machinery parts out of this pond, which was used for fire-fighting. It wasn't deep, but it was dirty with oil flecks.

Today, the 59-year-old Amentbrink is plant manager at Wolfsburg, the heart of VW's corporate empire. It was there, at a company Nazi ceremony on May 28, 1938, that Hitler laid the foundation stone of what then was called the Kraft durch Freude (KdF), or Strength through Joy, car factory. And it is that anniversary which VW is commemorating this year, recalling not only its successes but also the wartime evils of concentration camps, forced labour, and the use of the plant to make V1 flying bomber parts, mines and military vehicles.

Volkswagen's real rise began three years after the war with the arrival of Heinrich Nordhoff, who took over as general manager in 1948 (thus giving VW a second anniversary this year). It was Nordhoff who transformed the company's fortunes and made the humble Beetle car designed by Ferdinand Porsche into a motoring phenomenon. In the chaotic, pre-Nordhoff days, with Germany devastated by war, not many people gave VW any chances of survival.

One who did was Ivan Hirst, a British army major who took charge of the plant in 1945 and helped to re-start production, first by using it for repairs and then landing an order for 20,000 vehicles to meet the desperate transport needs of the time. Hirst, now 72 and living in Funderfield, West Yorkshire, recalls: "The place was a shambles. Initially, it was on the list for dismantling as being surplus to the level of industry planned. The Allies had put a lid on German industrial capacity. Then, a man from army HQ, Colonel McEvoy - he was the brains behind it - saw that the British occupation zone needed light vehicles."

With others such as Dick Berryman, a former Royal Air Force wing-commander who had worked previously in car production, Hirst got output under way gradually. But he says of his own role: "It was not a one-man band. There were many Germans involved, working under extremely difficult conditions. The Germans accepted it. They were working to get on their feet, so to speak."

Amentbrink reckons there was a bit of British sportsmanship involved, too: "The British learned to love the car they had seen in action in the desert." Indeed, the sturdy, air-cooled VW had proved itself both with General Rommel's Afrika Korps and on the Russian front. There were two military versions: an ugly but efficient land vehicle nicknamed the Kübelwagen or "bucket car" and an amphibious model, the Schwimmwagen.

Without that first order for 20,000

vehicles, says Amentbrink, VW might well not exist today. "It gained time and prevented dismantling. No-one wanted it (the plant)." The British, US and French motor industries turned up their noses at the Volkswagen although some experts recognised its potential. Hirst says Henry Ford looked at Wolfsburg on the map, saw its proximity to the edge of the Russian zone and decided that production there was out of the question.

For Hirst and his colleagues on the spot, however, things looked different. "I and my chief, Colonel Charles Radcliffe, thought the car was a potential Model-T Ford. I think we expected it to really take off." In fact, it was in 1972 that the post-war Beetle passed the Model-T's production record of just over 15m cars. To date, VW has turned out more than 50m vehicles, including nearly 21m Beetles and 10m Golfs, the Beetle's successor. And Wolfsburg - where Amentbrink became manager 16 years ago - is the world's largest car plant under one roof.

In 1945, though, he had no idea that he would spend his life with VW. After a few months at the Soltan dispersal site he went back to school, but he found the German teachers over-harsh in their reaction to the Nazi period. By then, all the machinery was back in Wolfsburg. "So, I went there by foot, all 112 kilometres. I

walked with some friends. It took us two days and we slept in a barn. Some of the rail bridges had been blown up and were not yet repaired."

In Wolfsburg, he became an apprentice mechanic. "We were always hungry. We stole potatoes from the fields. I had some worn US army boots and a pair of dark green British army trousers." He lived in a wooden hut with eight others.

In those days, production was very erratic. In the latter winter of 1947, production was stopped for three months because of a coal shortage. "We nearly froze in our cold barracks. There were icicles on the outside taps. In the summer of that year, the food situation was the worst ever." But then came the US Marshall Plan with its recovery aid, the currency reform of 1948 and the economic liberalisation of Ludwig Erhard, who was post-war economic director in the British and American occupation zones before becoming the West Germany economic affairs minister in 1949.

It was against that slowly-improving background that Nordhoff came on the scene. A former manager with Opel, he was not wanted back by its General Motors parent because of his role in producing military trucks at the company's plant in Berlin. "He was a cat who liked to walk alone," said Hirst, who interviewed

Nordhoff. "I don't think he ever had a really close friend. He was a solitary soul but extremely suave - smooth, if you like - and very able."

For Nordhoff, often dubbed "King Nordhoff", the job of rebuilding and running VW was a second chance. The British gave him a free hand which he used energetically, although he is supposed to have said the Beetle had "more faults than a dog has fleas." He developed a close relationship with employees, working hard to improve conditions as well as developing the cultural side of life in Wolfsburg by organising concerts - Herbert von Karajan conducted in a former works kitchen that had excellent acoustics - and art exhibitions. He also stressed the need for the still partly-demoralised German workers to put the past behind them.

Nordhoff refined and improved the Beetle for mass sales and laid great stress on service. As a result, VW was able to meet a huge pent-up demand for cars, helped by the fact that the rest of the German motor industry was in even worse condition. The 1m-vehicle mark was reached in 1955 and exports advanced strongly. Wolfsburg also prospered; today, 64,000 of the company's 260,000 employees world-wide are in the town of 120,000 people.

Ironically, Nordhoff had been sceptical of the Beetle when Porsche first presented

it to the German motor industry in the 1930s. After Porsche and his team refined the design, the Beetle (the *New York Times* probably was the first to use that nickname, in 1938) was put through an exhaustive series of tests, covering more than 30,000 miles. There were faults, but they were correctable.

However, the German industry was used to making cars for the elite. Manufacturers were dismissive about the idea of a car for the masses, especially when Hitler said it had to be sold for under 1,000 Reichsmarks (RM). He also laid down that a people's car must do 100 kilometres an hour (just over 60mph) on the new *autobahnen*, seat four or five people, have low fuel and repair costs and be air-cooled. It was to achieve all this that the Wolfsburg site, with its good rail and canal connections, was chosen. But when Hitler laid the stone, war still was distant and the Nazi Government had more pressing matters on its mind than a civilian car. Also, says Bernd Wiersch, VW's archivist: "The plant was not really needed to create jobs, since unemployment had disappeared. And the German car industry was again in good shape."

Fifty years after Hitler's stone-laying ceremony, intense research is going on into VW's role in the war, how prisoners and forced labour from the East were

treated, and the nature of Ferdinand Porsche's links with the Nazis. "We are not evading this reality on our 50th birthday," said Carl Hahn, VW's present chairman, who was prominent in its US export drive early in the 1960s.

Hahn was speaking at a symposium on "Wolfsburg under the swastika" which was organised by the research team of Hans Mommsen, a history professor at the Ruhr University in Bochum who was commissioned by VW to study these issues. Mommsen is clear about one thing, despite contrasting opinions: "It was not planned as an armament works. Porsche wanted to build civilian cars."

Porsche's reputation has been tarnished recently by revelations that he had close connections to Hitler, who used his engineering skills to organise arms production, but Mommsen maintains: "He was not the type to be a Nazi." He was, anyway, of a different generation to most Nazi fanatics and already was in his 60s when war broke out. Mommsen says: "Porsche was a cunning Austrian who used the opportunity provided by the Nazis to achieve what he wanted" - namely, the establishment and (during the war) preservation of a facility to build his new car.

Certainly, he did not oppose the Nazis' forced labour system; but Mommsen says Porsche seems to have tried to improve conditions at VW where German workers, engineers and managers had charge of the thousands of imported prisoners.

The re-examination of the old wounds is in line with Germany's often-painful attempt to come to terms with the aberrations of the Nazi era. "It is necessary to get things clear," Mommsen feels. "But more important, I think, is that Germans should also understand better that today's favourable economic situation derives partly from NS (National Socialist, or Nazi) armaments production."

In the early post-war days, though, the emphasis was on reconstruction rather than reflection. "Much of the work was by hand and very tough. Conditions were primitive," says Hans Ziegler, a joiner who went to work for VW in 1950, moved to the paint section, and was later a member of the works council.

The growth of VW into a thriving world concern was barely a dream then. Nordhoff, criticised for not developing a successor to the Beetle, died in 1968. Kurt Lotz, the next chairman, began developing new models but it was Rudolf Leiding, taking over in 1971, who pushed through the next generation of Passat, Golf, Scirocco, and Polo cars. Neither man was particularly popular with the work force but Ziegler says: "For all his awkwardness and sharp edges, Leiding was the right man for the crisis. He knew how to push things through. Without him, we might not have done it."

Even then, there were problems. Toni Schmeucker, who became chairman in 1975 after VW had fallen into massive losses, had to bring in a big voluntary redundancy programme before the car market boomed again, the Golf (in particular) proved its worth and the company was able to re-hire. In 1982, Hahn took over the wheel.

In its brief history, VW has lived down its Nazi origins, provided one of the world's most enduring (and enduring) cars, and become an industry leader. Along the way, it has stalled more than once. But VW was horn out of crisis. In a way, it also symbolises Germany's dilemma as a divided nation. Just 10 miles apart, the four tall chimneys of the VW power station and the eerie desolation of the East German border, with its fences and watchtowers, are chillingly contrasting reminders of the legacy left by Nazism.

The Long View

Feel free to claim — in 100 years!

I HATE to do this, I really do, but the regulatory system has finally caught up with me. It is no longer enough just to be an author; the time has come for me to accept the new responsibilities of authorisation.

The Financial Times being a certified periodical publication under Paragraph 25(2) of Schedule 1 to the Financial Services Act 1986, it has been pointed out to me that I could be running the risk of laying myself and the newspaper open to legal penalties, including exile to the Isle of Dogs, should any comment here cause readers to take any cause of action which might subsequently lead to losses. Without a regularisation of the legal position this column could safely have continued to appear only in the overseas editions of the FT (which are outside the jurisdiction of the FSA) after April 1 next year.

Accordingly, I devote my space this week to a Reader Agreement Letter which sets out the precise terms on which investment comment is presented. This letter is based upon a model document produced by the Institute of Financial Commentators.

The intention of the letter is to help readers by improving the level of investor protection. It will also have the incidental effect of making it almost impossible for anybody

to sue me successfully. Please read the letter carefully three times, cut it out and give it to your personal compliance officer.

Dear Sir or Madam, Whereas every care is taken in preparing arguments or giving advice, all comments in the "Long View" column are statements of opinion only and no express or implied representation or warranty is given or is to be implied therefrom.

Your attention is drawn to the possibility that the arguments may at certain times enter grey areas where credibility could be modified or suspended. While this will not be entered into knowingly, the column can take no responsibility for any failure to reach a satisfactory conclusion. You should note that grey area arguments may be impossible to resolve satisfactorily, although they may also lead to quick and attractive conclusions.

You should also read carefully the following statement on destabilisation. This is an argument-supporting process which is being used increasingly to disrupt other points of view and strengthen temporarily the position of newly-floated theories and opinions.

A reader who buys such theories should be aware that they may be devalued as soon as the process of destabilisation is discontinued. The assumption will be made that readers have given their



Even in the middle of the silly season it is sometimes necessary to adopt legal precautions. But in this case they need not be taken too seriously...

express permission for such manipulation of arguments to take place. However, the use of destabilisation will at all times be in accordance with regular Government practice. Conflicts of interest may also arise. For example, the columnist might from time to time take positions in the mortgage

loan or liquid asset markets at the same time as he is giving opinions about interest rates. He might also have stock market investments which may be reduced or increased in advance of publication of opinions. There will be no disclosure of dealings in such liabilities and assets which may take place according to normal circumstances.

In this connection, you should also note that the column might take positions that may be in addition to, or at variance with, positions taken by other sections of the newspaper. Although "churning" of positions will always be avoided where there is awareness of the problem, readers should be alerted to the possibility that the internal security ("Chinese walls") between different departments of the newspaper may give rise to conflicting views.

Nevertheless, the column will put forward a recommendation only where the writer is of the opinion that it is the most advantageous available to the reader at the time.

This agreement provides for the supply of regular weekly columns 52 times a year. While every reasonable effort will be made to fulfil this commitment, no guarantee can be given that the column will be consistent or reliable or, indeed, intelligible.

You will be expected to pay interest on a variable scale. This partly will reflect Government economic policies, where these are conducted in such an

unstable manner that interest is raised temporarily. But the level of interest partly will be the consequence of private sector developments, and could be pushed up by intense speculation or overheated arguments. Generally, it is expected that interest levels will be high, although they may fall to nil in certain dull periods of journalistic recession.

While every endeavour will be made to ensure that the column provides a long view, there can be no guarantee that a long view always will prevail over a short view, or that, from the columnist's point of view, a view that is shorter than a long view will necessarily be regarded as a short view, or alternatively, that a view that is longer than a short view will be regarded as a long view.

For the purposes of claims for consequential investment losses, and only for those purposes, the term "long view" shall be deemed to relate to a period of not less than 100 years, and no claims will be considered before such a period has elapsed.

I am sorry that it has been necessary to replace my column with a legal document this week.

However, let me take this opportunity to say how wholeheartedly I support the new regulatory system. It gives me particular pleasure to advance the cause of investor protection in this way.

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UK MARKETS

LONDON

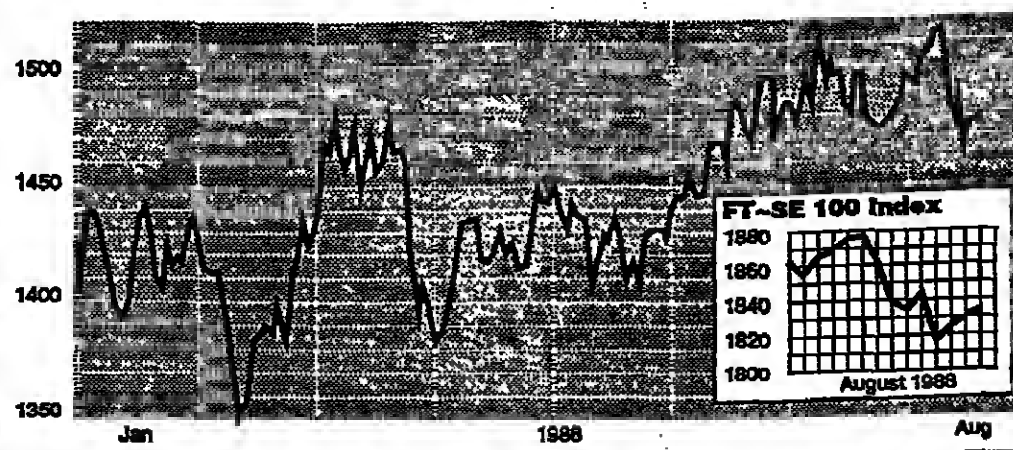
Equities battle back against the odds

After a bad case of the Monday blues, the London equity market pulled itself together and decided not to get over-wrought about over-heating. There was plenty of evidence this week that the UK economy is obstinately strong, despite the repeated taps on the brake through interest-rate rises.

forecasters on the economy, to raise its growth estimate for the year to 4.25 per cent. If the equity market was able to shrug off the signs that galloping growth had not yet been reined in, that was because the marks for the Chancellor's summer policy test are not due until the autumn.

conjunction, was free to bid on its own. In the end, this could result in a similar carve-up of the group's whiskey brands, which include Bushmills and Jameson. In that case, Brussels will have made its point - that it has the power to intervene during a bid - without affecting the outcome.

FT Industrial Ordinary Index



unveiled a 13 per cent rise in interim profits to £34.1m. Hanson, meanwhile, continued its recent spate of disposals by selling the US-based Kidde Fire Protection business to Pilgrim House Group, the UK electronics engineering company formed earlier this year when RHP took over Burgess Group.

small shareholder advocates, to win election to the board - a candidature made curiously controversial by British Gas's complaint about the £700,000 cost of sending notices to nearly 3m shareholders - was conceded by both sides to have failed.

The exercise might not have been completely quixotic, however, uncovering as it did a hint of the ambivalence the company feels about its army of SAs.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Table with columns: Company bid for, Value of bid per share, Market price, Price of bid, Value of bid, Bidder. Lists various companies and their financial details.

PRELIMINARY RESULTS

Table with columns: Company, Year to, Pre-tax profit, Earnings per share, Dividends per share. Lists companies and their financial performance.

INTERIM STATEMENTS

Table with columns: Company, Half-year to, Pre-tax profit, Interim dividends per share. Lists companies and their interim financial results.

JUNIOR MARKETS

When the party comes to an end

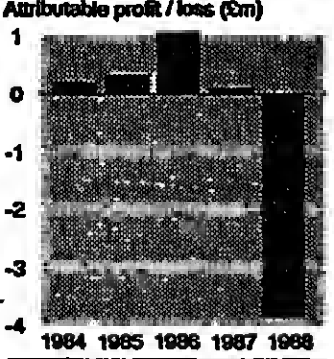
IF YOU ARE thinking of throwing a surprise party, kindly exclude Bob Morton as a possible guest of honour. He has had more than his share of surprises this year and none has been good.

Trading in the company's shares on the Unlisted Securities Market has been suspended since May when F & H found itself in the unusual position of having to cancel a rights issue.

HIGHLIGHTS OF THE WEEK

Table with columns: FT Ord. Index, Price y/day, Change on week, 1988 High, 1988 Low. Lists various market indicators and their performance.

F & H Group



meeting will find themselves looking at an experienced industrialist whose recent resilience could well reflect a similarly unerring episode only seven months ago.

summarized, however, Burgess discovered weak trading results and financial problems in a West German subsidiary. Revised terms imposed by RHP cut Burgess's value to £31m, and RHP took firm control of the combined group's management.

failed to account for the higher cost of using sub-contractors for software development. As the full toll began to emerge, F & H cancelled its three-for-two rights issue, leaving the Stock Exchange with the sticky judgment of letting Burgess stand.

RESULTS DUE

Jaguar goes into reverse

THE depressed US market for luxury imported cars, combined with currency problems, have had a swatting through JAGUAR's profits.

The strength of the pound, which has battered Jaguar's margins and taken its toll on sales. Overall, the company says, demand has held up fairly well - sales moved up by 11.5 per cent world-wide with a particularly strong performance in the UK.



Jaguar's Sir John Egan

fit from a full contribution from Mather and Platt Machinery, which it bought in July 1987, and from its 80 per cent stake in Devoport Management. The company's Canadian business is expected to be ahead in local currency terms, but exchange rate movements will limit the sterling contribution.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

Table with columns: Quoted rate, Compounded return for taxpayers, Frequency of payment, Tax, Amount invested, Withdrawals (days). Lists various interest rate options and their details.

RESULTS DUE

Table with columns: Company, Announcement date, Dividend per share, Dividend per share. Lists companies and their upcoming financial results.



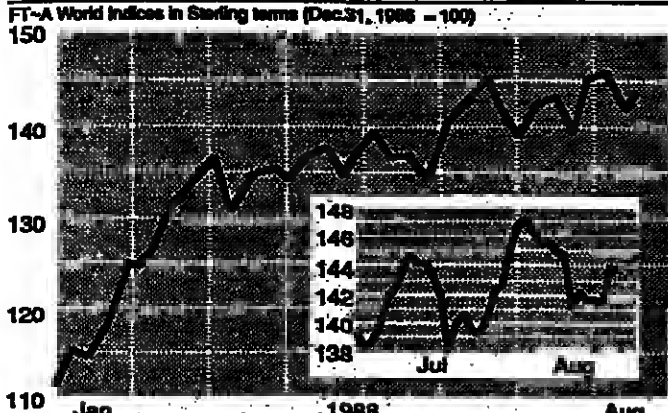
Ladbroke's Cyril Stein

Companies Staff

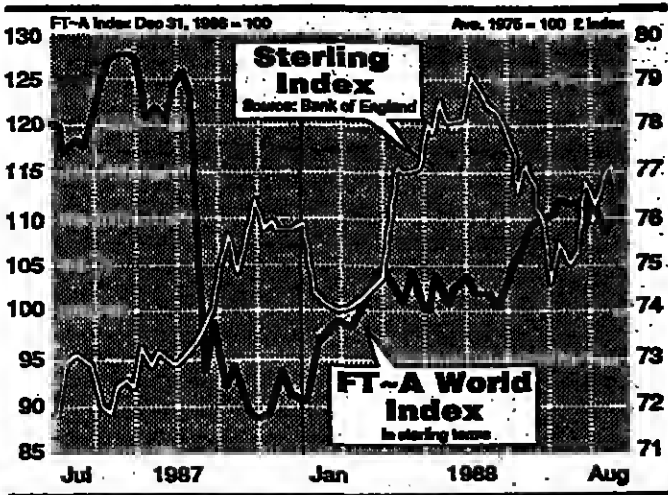
*Lloyds Bank Halifax 90-day; immediate access for balances over £5,000. †Special facility for extra £5,000. ‡Source: Phillips and Drew. §Assumes 5.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

WORLD MARKETS

Japan



Jointly compiled by the Financial Times, Guinness, Banks & Co. and Wood Mackenzie & Co. Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries.



ON THE FACE of it, the Tokyo stock market is easing itself through the summer in its usual lazy way. On most days, the market has been content to drift along, keeping the Nikkei index around the 28,000 mark most of the time.

But, just beneath the surface, uncertainties that were beginning to unsettle the market a month ago are getting steadily more serious. Questions are being raised as to whether the market will be in a condition to stage its traditional late-summer rally in the next few weeks, or whether the doubts in investors' minds will persuade them to leave their money on deposit.

There are few clues for the future in the trading pattern of the past few weeks.

Certainly, the market summoned up enough energy early this month to push the Nikkei to a new high of 28,475.68, and on Friday it closed not far short of this figure at 28,209.42. But the declines have been just as striking — on Wednesday last week, the market plunged 615.49 points, the biggest fall this year.

It would be wrong to read too much into this given that trading generally is slack, with volume hitting a low for the year so far on Monday — a fifth of the recent average. Nevertheless, there are some good reasons why the market should feel nervous.

The first is the growing expectation that interest rates around the world are on the increase. Japanese investors'

greatest concern is that the Bank of Japan might be forced to follow other central banks and raise the discount rate for the first time since 1980.

This fear was behind last week's 615-point fall, which came after the US Federal Reserve announced a discount rate hike on August 9. Although the Bank of Japan attempted to quell those worries by suggesting that it would not raise its discount rate — and, so far, it has not — the uncertainty has made investors increasingly reluctant to take positions.

For the moment, the central bank is being guided by the policy it has followed since last year, which is to avoid doing anything that might drive up the yen against the US dollar. However, some analysts in Tokyo feel that growing fears of inflation in Japan will force the central bank's hand — perhaps in the autumn.

These concerns were fuelled by the publication of statistics this week that showed industrial output in June had risen 3.3 per cent, much higher than the 2.6 per cent estimated originally. In addition, the wholesale price index, which has been falling for most of the past year, rose 0.6 per cent in

July after an 0.3 per cent increase in June.

These numbers sound insignificant by the standards of most other industrialised countries. But their importance lies in the extent to which they are signalling a change of direction.

Moreover, they came on the heels of a warning from the Organisation for Economic Co-operation and Development about inflation which pointed out the need to keep a watch on the growing money supply in Japan.

The money supply growth figures for July, also published this week, reinforce these concerns. The money supply grew last month at a year-on-year rate of 11.1 per cent, close to the level of most of the past year.

However, concern about inflation mostly takes second place to concern about the United States, especially its budget and current account deficits.

Japanese investors know as well as anyone that Washington will be too obsessed with the presidential election to consider serious changes in policy before the end of the year. So, hopes are pinned on the ability of the US to boost exports and

JAPAN

Nerves dog the dog days

FT-ACTUARIES WORLD INDICES

Country	% change % change	% change % change
	Dec 31 1987	Aug 1988
Australia	+57.9	-9.9
Austria	-5.4	-15.2
Belgium	+18.2	-21.2
Canada	+18.4	-16.8
Denmark	+17.1	-0.6
France	+15.2	-20.6
W Germany	+5.7	-32.7
Hong Kong	+29.7	-29.4
Ireland	+38.4	-11.1
Italy	+3.0	-19.6
JAPAN	+29.0	+8.8
Malaysia	+43.7	-25.8
Mexico	+58.4	-51.4
Netherlands	+13.3	-24.1
New Zealand	+13.8	-38.1
Norway	+26.0	-33.9
Singapore	+43.0	-30.1
S Africa	-7.4	-37.2
Spain	+21.2	-3.4
Sweden	+26.5	-14.5
Switzerland	+0.1	-33.2
UK	+5.7	-15.7
USA	+17.4	-24.4

speculators' noses ought to continue supporting the dollar. However, a reminder of the harsh realities came with the publication of worse-than-expected US trade figures this week. Tokyo reacted relatively calmly, mainly because Wall Street had also taken the announcement in its stride.

Meanwhile, Japanese fund managers have had plenty to discuss at home with one of the most serious stock market scandals of some time, centring on a company called Recruit Cosmos. It has emerged that politicians' aides and others received shares in Recruit Cosmos before it was listed in 1986 and made a killing after the flotation.

Also looking out into the autumn, the market is bracing itself to absorb a flood of issues — Japanese banks are continuing to raise record amounts to increase their capital in advance of new standards for capital adequacy. But, even their efforts will be dwarfed by the sale of a third tranche of shares in Nippon Telegraph & Telephone worth some \$3.5bn.

Investors planning to buy NTT almost certainly will be able to rely as before on the strength of the economy. Growth is expected to slow

somewhat in the second half of the year — which will ease concern about inflation — but probably will still be around 5 per cent for the year as a whole.

The responsiveness of the market to profits' growth was illustrated this month by the fact that Canon, the top camera company, was forced to announce its first-half results a week early because the figures leaked out unofficially. The official publication date was yesterday — net profits were well ahead at ¥9.1bn.

Investors also are seeking out companies with big assets, especially undeveloped property. Private railways have been popular for this reason. So has Sumitomo Heavy Industries.

Its shares soared so fast yesterday that they were suspended to allow clerks to catch up with trades. The company is planning to build a leisure centre on a former factory site in Tokyo Bay.

This kind of performance gives Hiroshi Taguchi, deputy head of the equities department at Nomura Securities, the confidence to forecast that the market should rise steadily to take the Nikkei to 30,000. Nikkei Securities is not so sure. "Domestic factors are good. Overseas factors are uncertain," says an equities manager.

Stefan Wagstyl and Michiyo Nakamoto

WALL STREET

So now there's a 'gridlock'

EVEN WITH the Republicans pledging 30m jobs, no tax increases and four more years of prosperity, Wall Street refused to be coaxed this week out of its confusion and torpor.

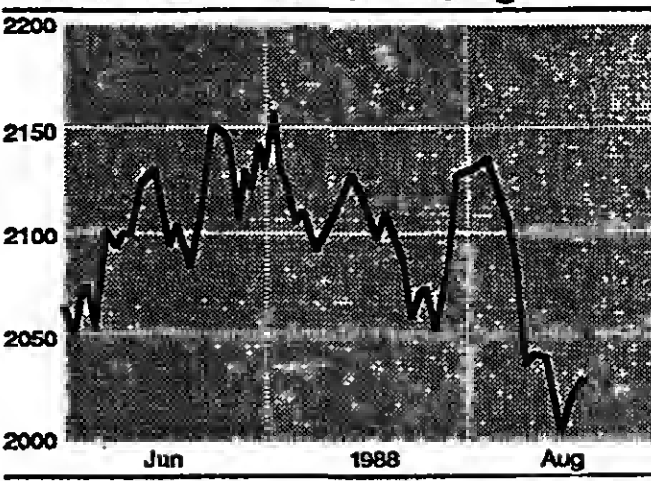
The party of business had hoped its New Orleans convention would focus attention on its economic achievements and policies. It quickly was disappointed. The talk instead was of how Dan Quayle, its vice-presidential candidate, managed to stay home in the National Guard during the Vietnam war.

Latching on to the Quayle style, investors avoided the firing line while economists skirmished over whether inflation or recession posed the greater threat to the markets. Only the day traders — firms playing

through the rest of the week. Certainly, the upturn had all the signs of a technical bounce from a sudden sell-off. But, the rapid recovery from poor trade figures also could indicate the start of a "fundamental shift" from a narrow focus on the dollar and trade data to economies in general," believes Hugh Johnson, chief investment officer of First Albany.

Investors, paying even more attention than usual to interest rates in major countries, are trying to gauge the prospects for higher rates, stronger inflation and slower growth. So far, though, there is a standoff between conflicting opinions, he says. Thus, the market lethargy transcends any of the usual summer doldrums. It is a "genuine gridlock" which is

Dow Jones Industrial Average



annual rate whereas Alan Greenspan, the Fed chairman, told Congress recently that 2 or 2.5 per cent was the fastest it could go without stimulating inflation.

Oppenheimer identifies a number of stock sectors offer-

ing opportunities to investors. It lists financial stocks, particularly regional banks and financial service companies. It thinks a number of well-capitalised blue chips, notably in beverages, drugs and tobacco, "offer excellent protection in a

sideways market." Utilities continue to give high dividend yields. Car-makers, benefiting from the weak dollar, are gaining market share from imports. "The auto stocks are extremely cheap and offer high dividend yield protection," Oppenheimer says.

One of the most widely-favoured sectors at the moment on Wall Street is capital goods. With manufacturing capacity bursting at the seams to meet export and domestic orders, corporate America finally has begun to invest in new plant. Capital spending, reversing a long decline, began accelerating about a year ago. Growing at an annual rate of about 10 per cent so far this year, it seems set for double-digit expansion for several years to come. Many companies making machinery, machine tools and other capital equipment are good bets.

Computer-makers are one big, black cloud in the otherwise rosy capital goods picture. Recent warnings from several

medium-sized companies about weak sales and profits have reinforced the feeling that the whole industry is under pressure.

Evidence is accumulating that even IBM is in trouble with its PS/2 personal computer line introduced 16 months ago. Its share of the personal computer market is eroding steadily for a number of reasons, including further delays in the introduction of its OS/2 operating system software which would greatly enhance the machines' performance and make them easier to use. Moreover, there still are few programmes available written specially for the line.

With the market showing no signs of springing alive in coming weeks, fund managers will have plenty of time to trawl for likely stocks in these sectors.

Monday 2084.27 - 33.25
Tuesday 2021.51 + 17.24
Wednesday 2022.94 + 04.43
Thursday 2027.93 + 01.97

Rod Oram

HOW TO INVEST IN RESIDENTIAL PROPERTY at up to 40% Discount

We expect you already have strong opinions about investing in property. If you own your own home, you can appreciate how much your property has increased in value. Perhaps you are ready to invest further in property provided you can find the right opening.

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The new Government rules mean you can get income tax relief when you invest. For basic rate tax payers — that's a 25% discount. If you pay tax at the higher rate, that's 40% off. Wouldn't you have liked a 40% discount when you bought your own house?

TOO GOOD TO BE TRUE?

Naturally no investment is risk free, but if house prices keep rising, then your investment should reward you very well indeed. However, don't get carried away by the tax advantages — look at the competence of the people who are going to manage your properties.

And remember: we value our reputation so we always try to offer you high quality investments.

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By the way, with residential property prices rising as rapidly as they are at present, we do not consider delay to be advantageous.

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Fill in the coupon and we will send you by return the Chancery Residential Property Investment Guide. You can then appreciate more readily how attractive this investment can be. Should your money be tied up elsewhere, then you might care to use our loan facilities.

Please send me: FT 20/8

The Chancery Residential Property Investment Guide
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 (should be available in early September)

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This advertisement is not an invitation to subscribe for shares which can only be done on the terms of the relevant Prospectus. Shares in Chancery sponsored residential investment companies will be unquoted and there is unlikely to be, for some time, an active market on which the shares can be sold. It should be noted that property values could conceivably go down as well as up. Prospective investors are advised to consult their advisers about the amount (if any) of tax relief they can obtain under BES. This advertisement has been approved by an authorised person under the Financial Services Act 1986.

STATISTICALLY AVERAGE LUCK

A concept of considerable significance to the serious investor.

You may think of Premium Bonds as little more than a gigantic raffle. Nevertheless, over 380,000 people have invested £1,000 or more, 58,000 have invested over £5,000 and 21,000 have invested the maximum £10,000.

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Underlying the prize fund is a rate of interest which is currently 6.5% per annum. This creates a prize fund of over £11 million a month, every penny of which is tax-free.

This in turn produces 185,000 prizes a month in the £50 to £5,000 range, weekly jackpot prizes of £25,000, £50,000 and £100,000 and last (but certainly not least), a monthly jackpot of £250,000.

Given statistically average luck someone holding £1,000 worth of bonds may expect to win a prize every year. Someone holding £5,000 worth could expect five prizes a year and someone holding the maximum of £10,000 worth, ten prizes a year.

Of course, chance seldom confers a statistical average on individuals, so most people will win either less often or more often than that.

It's even possible for someone with the maximum holding to win nothing in a year. But the odds against this happening are an impressive 55,000 to 1.

But what makes Premium Bonds such an attractive alternative to other risk-free investments is their tax-efficiency: whether you win the minimum £50 or the maximum £250,000, every penny is tax-free.

One more number: if you ring 0800 100 100 (free) any time of day, we'll be happy to send you more information.

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NATIONAL SAVINGS

FINANCE & THE FAMILY

Mortgage rate could soar to 15%

COULD YOU live with a mortgage rate of 15 per cent or more? Mortgage rates last touched this level in March 1982. Since September 1986, they have been under 12 per cent and most borrowers have felt relatively comfortable.

Many homeowners are likely to feel taken aback by the sudden turnaround in interest rates. Only a few months the banks' base rate dipped to 7.5 per cent, its lowest level for a decade.

So economists are agreed that the base rate - currently 11 per cent - is likely to climb further during the remainder of the year.

Uncertainty over this question is the chief reason why building societies and other lenders have not yet put up their rates after the latest increase to 11.0 per cent. Shifting rates upwards is both unpopular and expensive for them.

One of the gloomiest prophets is Roger Bootle, economic adviser to Lloyd's Merchant Bank. He thinks it is likely that rates will hit 15 per cent.

Bill Martin, chief economist at the City stockbrokers Philips and Drew, agrees. "I am forecasting that in the fourth quarter the base rate will be 12 per cent and could go higher to 13 per cent," he says.

MORTGAGES

will very likely be a further rise to above 14 per cent, perhaps 14.5 per cent. This will only fall back when the dollar starts to come down.

Just how much difference this would make to their monthly mortgage servicing payments would vary considerably, but one might envisage increases of around £85 a month on a £20,000 mortgage, £175 on a £50,000 mortgage, and a hefty £282 on a £90,000 mortgage.

These figures suggest the obvious possibility of arrears and defaults. However, the building societies will move their rates cautiously and larger societies such as the Halifax now change rates for the majority of their customers only once a year.

But the rise in interest rates may not necessarily be this sharp. Tim Congdon, chief UK economist at Shearson Lehman Brothers until this week, has been forecasting for over a year that the base rate should be held at 12 per cent for six to 12 months.

people who think that rates will stay above 13 to 14 per cent for long, though they could hit that rate for a month or two.

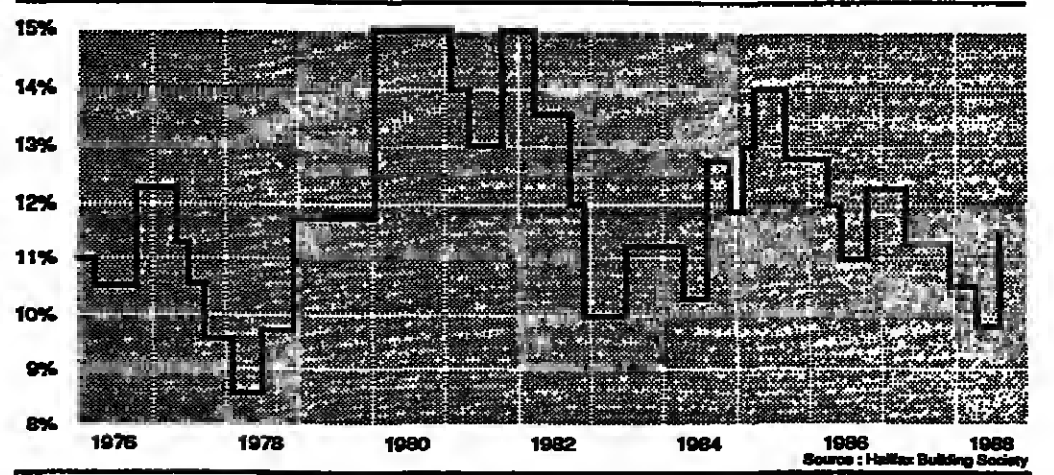
A more sanguine view still comes from Richard Jeffrey, economist at Hoare Govett. "My feeling is that we are close to the top," he says.

Jeffrey believes that rates will peak at perhaps 12.5 to 13 per cent and then fall back to 10 per cent by the end of next year.

One consideration for both the prime minister and the Chancellor is the cost to their political popularity if they allow base rates to stay at 12 per cent or higher for very long. But Bootle is unimpressed by this argument. "If they don't administer a sharp shock in good time, the long term cost to them will be much higher."

David Barchard

Mortgage interest rate



Special deals to tempt home-buyers

MORTGAGE rates may be higher, but competition among lenders remains fierce. Abbey National Building Society this week announced a special deal, aimed specifically at tempting houseowners with mortgages of over £50,000 to transfer them to the Abbey National from other lenders.

It already gives a specially reduced interest rate (currently 11 per cent, 0.5 below its standard rate) on loans above £50,000 and this would apply to remortgages as well. Although the remortgage package will be available only until September 30, the 0.5 per cent reduction in the interest rate for loans above £50,000 will remain in force.

Several other societies, including the Halifax, already give a lower rate for bigger mortgages, but do not subsidise the cost of transferring from another lender. The Abbey confirmed that you will not lose your Miras (mortgage interest relief at source) tax allowance by moving your home loan.

Meanwhile, Cornerstone, Abbey National's estate agents subsidiary, hopes to drum up extra business by offering its buyers up to £250 if they are gazumped.

act quickly, since a £200 fee and a valuation fee are charged. Skipton Building Society is offering endowment mortgages, with a fixed discount of 0.5 per cent below the society's normal home loan rate for the first 12 months. National Westminster Bank has joined the fray too. From August 22 to September 22 it is offering £200 to successful mortgage applicants providing the purchase of the property is completed before March 31 next year. John Edwards

Umbrellas for a rainy day

FROM EARLY next year, the first funds under the Financial Services Act "recognised" category will be freely marketable in the UK.

Broadly speaking, recognised funds will be those set up in a European Community member state or under a regulatory system whose requirements are at least as good as those of the UK. European countries and offshore centres alike are at present in the throes of passing the necessary legislation, and authorising funds under the new regime.

An interesting side effect will be the new status of offshore "umbrella" funds, which will be allowed to be sold in the UK in exactly the same way as unit trusts.

Umbrella funds have been in existence since May 1984 when Gartmore launched its Capital Strategy fund. In the last year or so they have developed into quite an industry. There are almost 40 different funds of this type now in existence,

mostly run by financial groups of UK origin. The umbrella fund has been marketed to both UK and expatriate investors. Its main advertised advantage to the UK resident is the ability to switch between the sub-funds free of capital gains tax. The umbrella, or parent, fund technically has company status, with a number of different sub-funds, enabling the investor to put money into currency, bond and equity markets. A switch from, say, international bonds into Japanese equities is regarded as a transfer between different classes of share, rather than as a disposal for CGT purposes.

Once marketable in Britain under the new rules, investors will have a straight choice between them and unit trusts, where switching involves a disposal for CGT and may also entail charges up to the full spread between the bid and offer prices. This should give recognised umbrellas a tremendous marketing advantage, to say the least.

However, it can be expected that offshore unit trust groups are likely to protest strongly and demand "level playing fields" with CGT-free switching for unit trusts as well. Altern-

tively there could be a crack-down on umbrella funds' privileges by the Revenue, though there seems to be no hint of this at present. Howard Flight of the offshore funds group Guinness Flight says the status of CGT-free switching within umbrellas is now "firmer and clearer" than it has been in the past.

The main difference between unit trusts and umbrella funds is that a portfolio of unit trusts allows you to spread your investments across a number of different management groups, whereas an umbrella fund ties you to one manager. The umbrella funds' counter argument is that they offer greater convenience. This is a feature which is attractive to investors and certainly to brokers, through whom most umbrella fund business is done. They may even provide another alternative to the broker bond. What happens, effectively, is that a powerful computerised administration system is used to run the broker's client portfolios, even building commission into the charges to individual specification.

Charges and pricing methods vary widely on umbrella funds. But statements claiming "free switching" and "no bid/offer spread" may not be all that they seem. This is a complaint voiced by Martin Brown, marketing director for Target's recently launched Fountain Fund.

Free switching, in particular, is a claim which the investor should view with some scepticism. The free switching claim has become somewhat tarnished in the last year or two, as groups have added or increased charges to discourage too much trading activity between the sub funds.

The Fountain Fund's quotation price is calculated by adding 0.5 per cent dealing expenses and 2 per cent "transaction fee" to the net asset value of the securities held. Broker's commission - typically of 3 per cent - is stated separately on the contract note as "charges". The annual management fee is 1 per cent. Switching between the sub-funds is subject to a conversion charge of up to 1 per cent of net asset value, which is built into the price calculation at the time of the switch. Other funds make a £25 administration charge on switches.

As offshore funds, umbrellas have in the past been restricted in their marketing, and have had to produce full prospectuses akin to those scheme particulars which are now obligatory for unit trusts. Looking through a fund prospectus, it is very hard to see what the charges really amount to, which makes comparisons and assessment of the true costs difficult. It is unlikely that recognised umbrella funds will close down the unit trust industry, in spite of the CGT advantage. The minimum investment tends to be high, and most funds will be marketed to the wealthier investor, since high running costs make a mass of small portfolios uneconomic.

Now that there is no difference between income tax and CGT rates, Howard Flight thinks that roll-up umbrella funds, where all gains are liable to income tax rates on redemption, will find a market among investors heading for retirement who want to defer their tax liability.

Christine Stopp

Now is the time to gather all the information you can on our wisest, widest investment opportunity ever.



A farmer's three sons squabbled among themselves until their father decided to teach them a lesson. He told each of them to try to break a bundle of sticks. They found that, while the bundle could not be broken, the individual sticks could.

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FINANCE & THE FAMILY

Flexible friend indeed

Several months ago I purchased goods, using credit cards. The seller has not so far, apparently, presented the vouchers of the credit card company and I have accordingly not paid for the purchase.

Would you please confirm that the bald and unqualified statement issued in the booklet is incorrect. As I understand it, those employees who earn less than £41 per week, or who are wives/widows paying the reduced rate contribution, will not be obliged to (and cannot even) participate in SERPS, even if they do choose not to enter the company scheme - or any other, for that matter.

As my wife is 44, and envisages the probability of giving up her part-time employment at 50 or thereabouts, participation in any scheme at this late stage would not be worth-while.

The pensions book is giving a general statement of the law in that SERPS contributions must be deducted by the employer in respect of all employees who are not in a contracted-out scheme. However, if your wife's earnings (as you suggest) are below the lower earnings level to which SERPS applies, then she would not in practice receive any SERPS benefits.

With regard to your final point about benefits for this short period not being worthwhile, we would make the point that whether the sum involved be large or small your wife is at an age where SERPS, considered simply as a contribution for £5 of benefits, is generally considered reasonable value.

Dripping drama

One of the regulations and conditions of tenancy imposed by a housing association upon the tenants of its flats (sheltered accommodation) is that "all flats are to be re-washed by the tenant whenever necessary." Is this permissible?

Surprised at SERPS

The pensions booklet issued to my wife by her employer states: "If you do not join the company scheme, you will be in SERPS."

Question of indexation

I am an active private investor from time to time pays CGT on my dealings in ordinary shares. I am now thinking of using part of my investment funds to deal in traded options. I accept that if I deal too often, then the gains on the traded options will be taxed as income rather than as a capital gain.

In practice, there is virtually no danger of your transactions on the Stock Exchange - in shares, securities, warrants, traded options or traditional options - being assessed to

income tax as adventures in the nature of trade.

A purchase and sale of traded options on the Stock Exchange ranks for indexation in the same way as a purchase and sale of shares. Where a traded call is exercised, the cost of the option ranks for indexation from the month of purchase up to the month in which the exercise notice is given to the London Option Clearing House; the total of that indexed cost and the cost of buying the shares then ranks for indexation from LOCH.

If an exercise notice is submitted on the last business day of a calendar month, therefore, you lose a month's indexation on the cost of the option; if the RPI for the exercise month is higher than that for the following month, this hiatus works to your advantage, of course.

No indexation is given in income tax assessments. If eventually you decide to write traded options, make sure that your broker uses the segregated-file procedure (which is exclusive to LOCH, we understand). Your broker will be able to explain this procedure.

Careless brokers

My stockbrokers used to hold my share certificates in "safe custody." When recently they introduced a charge for this service I declined to pay, and asked them to send me all my certificates by registered post. One certificate did not arrive and they have now admitted they have lost it.

They sent me the normal indemnity form to complete. I declined to sign this on the ground that it was not I who had lost the certificate. They replied that I had no option.

It is correct that the people who lost my certificate can avoid all responsibility for their inefficiency by insisting that I indemnify the issuer against all potential liability? We think that it is the duty of your stockbrokers to offer their own indemnity in a case where the certificate which was lost was held by them in "safe custody." We suggest that you insist that they face up to their responsibilities and that you refer their conduct to the Surveillance Division of the London Stock Exchange.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Keeping it simple

My 90-year old aunt living in South Africa receives a German pension paid into a German savings account.

Her brother, resident in South Africa, and I have been granted power of attorney to draw from that account, since it is necessary at intervals to send her money.

To simplify matters, my uncle and I are proposing to bring monies from Germany to invest here in a building society or similar institution.

How would this affect my tax position as a joint holder of such an account receiving interest on the capital? Although you could escape the incidence of composite rate tax/reduced rate tax by making appropriate declarations, the consequent correspondence with the Inland Revenue might well upset your elderly aunt. Why not keep things simple by holding the money in the Channel Islands or the Isle of Man, for example?

Composite rate tax is levied on banks etc. in the UK whereas reduced-rate tax is levied on UK building societies.

Solicitor's mark-up

Has a solicitor the right, and is it normal practice, to add on to his total bill an extra 50 per cent for "care/skill"? I would have thought it was the reason I engaged him in the first place and that he should not add on what appears to be a solicitor's tax.

The addition you refer to is to represent the "profit costs" - that is, the equivalent of a retailer's mark-up. The formula used is not very apt, as you point out.

John Edwards on a 'safe' way to dabble in currency markets A game with one winner

AN INVESTMENT where your money is kept in your own bank account, and you are the only person entitled to withdraw it, seems a safe way of dabbling in the highly unpredictable and dangerous currency markets.

That, in any event, is the basis for a currency management service being offered by Forexia (UK) a specialist company set up to manage private and corporate foreign exchange portfolios.

Investors (with a minimum of £10,000) who are worried about the value of their money being eroded by changes in the value of currencies are invited by Forexia to open a special bank account at either the Bank of Bermuda (Guernsey) or the Royal Bank of Scotland in Jersey.

The terms of the account, opened in the investor's own name, lay down that Forexia is appointed manager of the funds with power to switch them into any of five leading currencies - the dollar, Deutsche mark, sterling, Swiss franc and the yen. But that is the limit: the investor retains complete control of the account in every other way.

In return for managing your currency exposure, Forexia charges an annual management fee equal to 0.5 per cent of the value of the portfolio, plus 15 per cent of any profits made. This performance fee is calculated on a peak to peak basis, so that it is payable only when the total size of the funds held at each quarterly valuation (in sterling terms) shows an increase.

There are no other charges and your money held in the account earns interest (disregarding for calculating the performance fee) at wholesale money market rates, which are paid without tax being deducted at source.

However, although you might be safe from a Barlow Clowes disaster, in reality there is only one guaranteed winner. That is Forexia, which is given permission to gamble with your money on the currency markets and benefit from any winnings while not suffering any losses that might be incurred.

Charles Ronald, chief executive and leading shareholder in Forexia, agrees that his company is involved in no risk and



"I'll give it back... if we win!"

that the investor's funds can decline in value. But he points out that stockbrokers and unit trust managers also do not bear losses, even after taking charges and commissions; and he argues that leaving your money in one currency could be equally expensive.

He says his company has a good track record established

over the past four years in currency forecasting (with a daily advisory service put out over Prestel's Citiservice) and is able to deal in the currency markets at the competitive interbank rates, which are much cheaper than the normal retail rates.

You get the advantage of dealing in much smaller spreads between the buying and selling prices than that available normally to the private investor. In addition, interest on your money is paid at money market rates without any immediate deduction of tax, since it is held in an offshore account, and can be added to the principal.

Ronald says his company does not have to receive authorisation from any of the self-regulatory organisations since dealing in such transactions is not viewed as an investment. However, although being made from your account without your permission might be reassuring, it does not prevent the possibility of losses being incurred if Forexia gets the currency markets wrong on your behalf.

CHESS

hoped he will be available for this year's olympics at Thessaloniki, so strengthening the UK challenge to the Russians.

Among the other top finishers at Blackpool, Bangladesh champion Niaz Murshed showed brilliant tactical ideas while Michael Adams, at 16 the world's youngest international master, again advanced his reputation. It was Murshed who played one of the most original attacks of the tournament, but at the end, the top four places all were taken by those with the elite title of grandmaster.

Mestel always has been an inventive, creative player whose only real weakness is an occasional tendency to over-optimism. His talent showed up early and he was invited to the Hastings Premier when only 15. He was a regular member of England's olympic and world championship teams until, in 1986, he refused to compete at Dubai in protest against the exclusion of Israel from the olympiad that year. Now, it is

his last chance was 27 Q-Q2, P-B6; 25 Q-Q4.

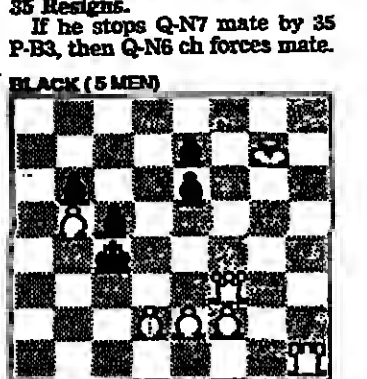
27 - P-B6; 25 B-B1, Q-B4; 29 R-B, P-B7; 30 B-P, P-B; 31 R-B, R-Q2; 32 Q-Q2, P-P; 33 Q-Q2, R-B2 ch (a neat reprise of moves 19-20); 34 R-B2, Q-N3; 35 Resigns.

If he stops Q-N7 mate by 35 P-B3, then Q-N6 ch forces mate.

BLACK (5 MEN)

White mates in three moves against any defence (by J. Berger). White has the crushing material lead of queen and rook so this puzzle looks easy to solve, but White's first play is among the most surprising of all problem keys, seemingly irrelevant to the action.

Solution Page XV



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Solution Page XV

Leonard Barden

BRIDGE

MY FIRST hand is taken from Test Your Trump Control by Hugh Kelsey, reprinted recently in paperback by Gollancz at £3.95.

Hand diagram showing cards for North and South. North: N A K Q 10 7, W J 8 5, E 4 3 2, S 9 6. South: S 10 8 6 4 3, W 9 6, E 4 3 2, S 9 6.

West deals at game to North-South and bids one club. North doubles, East bids a weak two diamonds, and South says two spades. North now says three clubs, South rebids three spades, North raises to four spades and all pass.

West opens with the diamond ace, then switches to a spade. Dummy's ace wins but, when the king is cashed, East discards a diamond. West is marked with the ace of hearts so your only losers seem to be one heart and two diamonds, but there are entry problems. It appears safe to cash the club ace, ruff a club, draw trumps and lead a heart. But West will play low and dummy's queen wins. You play a diamond. East wins and forces you with another club, and you lose control.

The correct line is to forget about diamonds and try for three heart tricks. At trick four, you should return dummy's club queen, giving West an unexpected trick. You ruff the club return, draw the trumps (throwing diamonds from the table) and play a heart. West plays low and the queen wins. You ruff a club with your last trump and play another heart. West can win or duck but, with dummy's ace of clubs still intact, he cannot prevent you from making 10 tricks.

The play of the club queen is really brilliant. The second hand is from Sharpen Your Bridge Technique (Gollancz £5.95).

Hand diagram showing cards for North and South. North: N A K Q 7 4, W 10 9 5 4, E 2, S 8 7 6 3. South: S 8 6 3, W 9 6, E 2, S 8 7 6 3.

At game-all, North deals and opens with one spade. South replies with two hearts and North rebids two spades.

South now says two notrumps and North's jump to four hearts concludes the auction.

West leads the nine of clubs - which looks like a doubleton - and you, in the East seat, win with the king.

You can make another club and there is a possibility of trump promotion if your partner can ruff a third club high enough to force one of dummy's heart honours. That gives you only three tricks - you must assume that West holds the diamond ace.

Return the diamond knave at once - otherwise the ace might be lost. West takes his ace and leads back a club to your ace.

You play a third club. West ruffs with the seven and dummy over-ruffs with the 10. You cover the knave with your queen and the king wins but, when West drops the eight, you must make another trick in trumps.

"But how," you ask, "does West know that a club return is right? Suppose he thinks that you want to ruff a diamond?"

If you had wanted a diamond return, you would have won the first trick with your ace of clubs, a deliberate false card to make sure of a diamond return.

You will enjoy these books.

E. P. C. Cotter

FRANCHISING

The Financial Times proposes to publish this survey on:

Saturday 24th September

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Jacqueline Keegan on 01-248 8000 ext 3740

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Leonard Barden

Weekend Business

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by Christine Stopp

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PROPERTY

Maligned agents aren't so bad, after all

John Brennan finds that the majority of people actually are satisfied with the service they get

WORD ASSOCIATION time. What springs to mind when you think of the word "estate"? Is it rolling acres around an Elizabethan mansion in Gloucestershire? Lawyers telephoning with the news that a distant relation who struck it rich in the diamond fields remembered you in his will? A Volvo? Whatever it is, the association is likely to be positive. Now try "agent". Images of football pools coupons, perhaps? A gentleman or lady from the Pru? James Bond? Again, the word conjures-up nothing too terrible. But put the two words together to make "estate agent" and all sorts of pent-up emotions start to pour from even the mildest of souls.

Asking what comes to mind when thinking of estate agents is a dangerous business. An admittedly unrepresentative sample of people, surveyed casually over a period of a few days, drew surprisingly vehement reactions. This clearly is a question that should be asked only if you have time to listen to the full, gory details of people's experiences at the hands of the last agent with whom they had dealings.

This anecdotal damnation makes the serious consumer research carried out by Dewe Rogerson, on behalf of Hamptons, all the more striking. The fact is that - as Hamptons' resulting "housebuyers' poll" confirms - most clients are perfectly content with the service they receive. It would be wrong to dismiss this as an apology sponsored by an estate agency. Dewe Rogerson based the research on a representative quota sample of 2,133 home-owners interviewed directly in 180 locations, albeit all in the south of England.

The survey shows that 44 per cent of the home-owners were "very satisfied" with the service of the agent who sold their last property while another 34 per cent were "fairly satisfied". A sleep-walking 11 per cent seem to have been out to lunch through the whole process since they are reported to have had no opinion. That leaves just 7 per cent who were "fairly dissatisfied" and 4 per cent who were "very dissatisfied".

This is a strangely positive result if it really is true that the country is packed with people who would as soon burn down their home as let another estate agent through the front door. That is a point underlined by the survey finding that 81 per cent of all the people who sold a property did so through an agency. Criticism of the industry clearly stops short of boycotting its services. There is an evident gap between the reality (that most people have been happy enough with the work of their estate agent) and the myth (that agents are a plague sent to make property moves a nightmare). A possible explanation for this contrast between myth and reality lies in the small print of Hamptons' poll. Asked which two out of three aspects of an agent's service were the most important, only one in 100 people felt the friendliness of the staff was a matter of note, and only three in 100 thought it important to be made to feel comfortable when they walked into the agent's office. It is a truism throughout the service industries that clients get the service they deserve. Applied to estate agencies, these poll results showing customers' apparent indifference to the attitude of agency staff would seem likely to inspire an equal and opposite indifference on the part of the agents. As the survey suggests, the agents are hired primarily to sell a property quickly (82 per cent), to value the property accurately (74 per cent) or for 10 per cent of home-sellers' essentially for their ability to filter prospective buyers so that only the "right kind" of people come around to sneer at the carpets. Agents obviously do not rate the "advisor" status still afforded to their stockbroking counterparts, even though they have a similar buying and selling role. Neither do they justify the same degree of interest that individual financial intermediaries and salespeople do. In both these service businesses, personal attitude still is regarded as a matter of importance. Given that the job of selling a home (and the money involved) is likely to be much larger than an individual's share dealings, or the amount being tied into a pension plan or insurance policy, it might be expected that people would choose their agent with consid-

erable care. And since it is an individual home that is on offer, the choice might well be expected to take some account of the type of person asked to handle the deal. In practice, as the poll suggests, clients' seeming indifference to agents, and their near-exclusive concentration on performance, suggests that most people really want only to employ a "hit" team. In that event amiability is irrelevant, since the client wants only the agent who can get the highest possible price in the shortest possible time.

This attitude would explain agents' generally low public status. It would also help to explain why selling agents so often get the blame for the actions of their clients when they pass on the news that an offer to buy has been gazumped whereas, in similar situations, solicitors tend to be seen as neutral intermediaries. The survey confirms that nearly a third of all home-owners think it makes no difference whether they go to a national agency chain, a local agent forming part of a group of estate agencies, or to a small local agent. Twenty-nine per cent of owners did express a preference for a local agent, so there are some prospective clients who think small is beautiful. But there is no evident reluctance to use larger agency groupings, since 24 per cent believe the office of an agency forming part of a large group would be a good choice and a further 16 per cent would head first for an agency run by a major national financial organisation.

For some home-buyers and sellers, the whole process clearly is so traumatic that they lose their grip on reality. Dewe Rogerson's pollsters uncovered the hesitant 2 per cent of owners who are not sure what estate agency service they regard as important. They even tracked down the 3 per cent of owners who don't know how far they moved when last they changed homes.

These seemingly lost characters probably are among the 2 per cent who cannot remember how they bought their last home; and they may also account for the 1 per cent whose lives are in such a haze that they can't remember if the last property they sold was dealt-with privately, through a property shop, or by an agent.

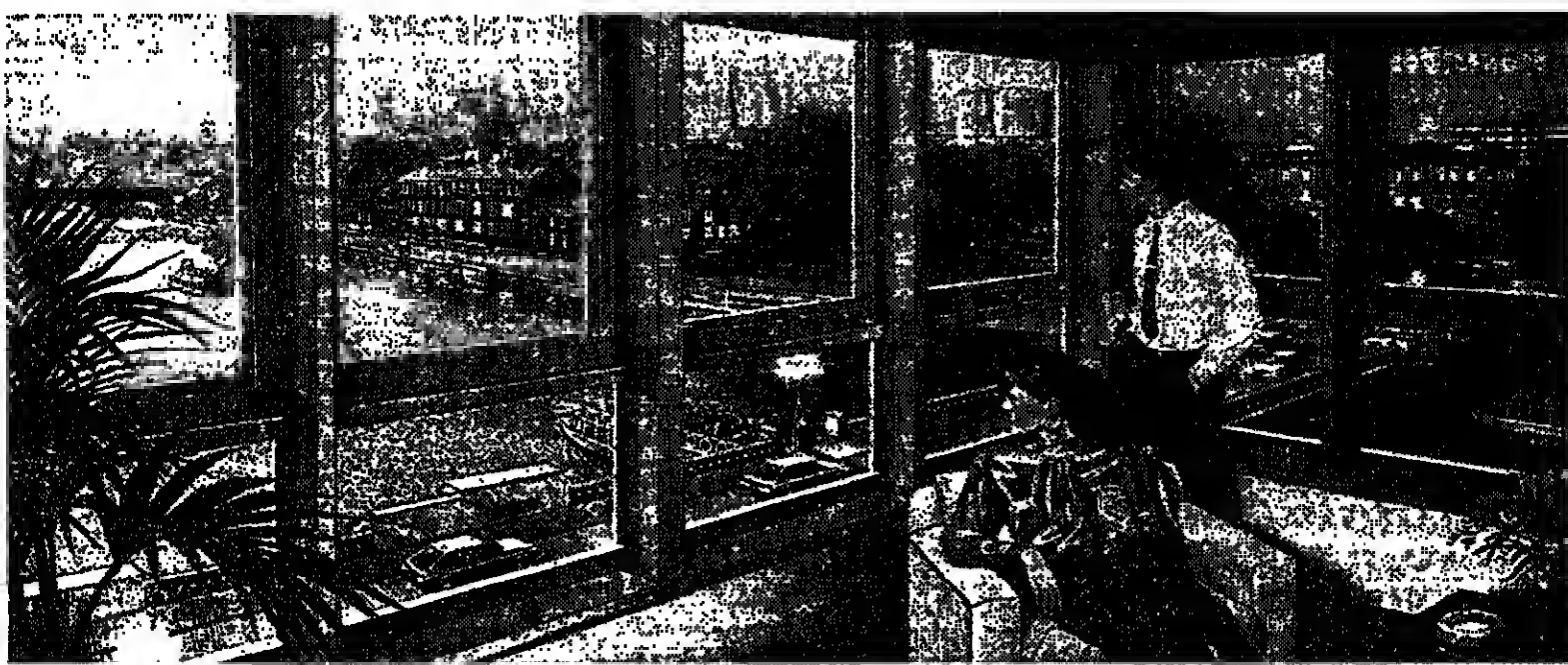
If you exclude those whose property affairs have wafted past them unnoticed, that leaves a majority with the powers of recall to take a view on the agency business. And, judging by the survey, a major-

ity of these have had a generally favourable experience of estate agents. Perhaps they might like to return the favour. Given the evident, urgent need for agents to bring their public image closer into line with actual performance, and the success of re-branding exercises in other areas of the service industry, there's a bottle of FT pink champagne waiting for the best suggestion for renaming residential estate agents. After all, turning rat-catchers into environmental health officers did wonders for their social lives; and the dinner party invitations have flowed more often for credit agents on the staff of trade recovery groups since they ceased to be debt collectors. There must be a similar solution for the much-maligned estate agent.



AN AVENUE of lime trees to the front door, a tennis court where Virginia Wade used to practise set in four acres of gardens with cedars and oak, a couple of stables and hay stores... after that, who needs the house? In this case, there is a 1700sq' country house with six bedrooms, three bathrooms and the little Wychling Hall, to make up the £250,000 freehold now on the books of Black Horse Agencies' George & Coher (0233-43574). Wychling, Kent, is a mile from Doddington and 15 miles from Ashford, the focus of Channel Tunnel developments on the English side. So, in a few years' time, whoever owns Wychling will, if they wish, be able to pop over to Paris in just 80 minutes.

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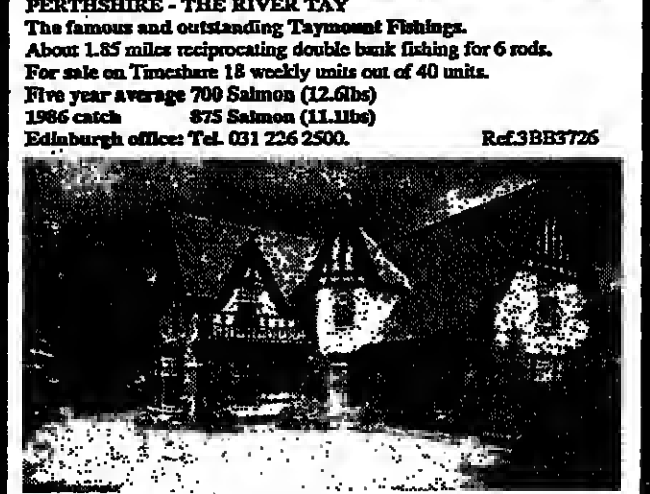
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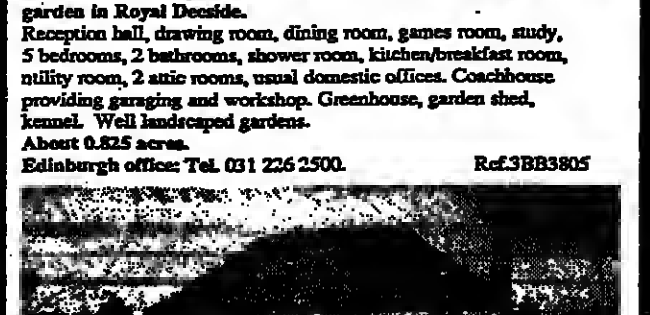
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WEEKEND FT REPORT - CAREERS AND COURSES

THERE IS more to life than cramming. Any survey of educational opportunities for the 15-plus must accept that people don't all want to compete for academic honours and could just want something that might not lead to a career - just the sense of one.

The GFT guide offers many choices. You still have to be careful about what you select, but the world has changed a lot, even in that once-exclusive area of the so-called finishing school for young ladies.

Around 12 years ago, a friend who had nothing better to do at the time was invited to teach shorthand at one of these establishments. She found that her brief actually was "secretarial subjects" which included economics and standing by while somebody instructed the poor little rich girls on how to look beautiful at the boss's cocktail party.

She was assured that the girls were taught literature and philosophy. This, she found, included four 45-minute lectures from tame academics and took the young ladies rapidly from Chaucer to Ibsen, from Aristotle to logical positivism. When she expressed wonderment, she was told by one of the school's senior staff: "Yes, my dear, we approach it all very professionally."

Such days are over, though. The kind of school that isn't necessarily committed to win you glittering prizes has faded the future, or so it appears from reading the GFT guide.

Take the Lucie Clayton Secretarial College, set in London's Brompton Road within easy reach of Harrods. It has always been a place that combines "finishing" with "starting." According to the college: "The main course lasts 36 weeks and is a complete finishing course to Private Secretary (the 'gold standard') which includes IBM word-processing, Pitman's New Era shorthand, typewriting, Lucie Clayton grooming, business studies, office procedures and (optional) French."



Learning the language... foreign students at St Paul's Cathedral

Starters and finishers

Alan Forrest looks at some independent colleges which offer cramming with a slight difference.

Clayton grooming, business studies, office procedures and (optional) French. The college is a centre for Pitman and RSA examinations and a spokesperson says: "The reputation of 'privilege' stems only from the fact that Lucie Clayton girls, having received a sound secretarial education and a good 'finish,' often obtain the most sought-after professional posts."

£1,240 a term, including stationery. I am not knocking the kind of school that appears to appeal to privilege, quite the opposite. Independent colleges of this kind have got into touch with the real world and I don't agree that, nowadays, their only function is to get a girl a rich husband, as a recent magazine article suggested.

For the independent cookery school. "These concentrate on practical cookery lessons with a very high ratio of teachers to students to give individual attention, and the food the students cook (and eat) is expensive," she says.

\$4,850 for a diploma course (plus an average \$160 for "extras"), \$700 for four weeks and \$180 for one week. The Cordon Bleu School in central London's Marylebone, charges \$4,900 for a three-term diploma course and \$220 for a week.

Hairdressing schools continue to grow and prosper. There is a World Federation of Supreme Hairdressing Schools which awards a WFSHS diploma and it is claimed, should guarantee a good start to a career in the more up-market areas of the business.

The magic name must still be Vidal Sassoon. The Sassoon Academy in Davies Mews, Mayfair, attracts beginners and experienced hairdressers from all over the world and there are branches in Manchester, San Francisco, Los Angeles and Toronto. Fees range from \$245 to \$4,600 according to what you want, and accreditation is extra. The academy emphasises that its facilities are available to school-leavers, salon-owners and top professionals.

Another area attracting interest is that of the English language schools. The EF schools at Cambridge, Brighton and Hastings attract people wishing to study English as a second language and have been chosen as the "official" language school for the Seoul Olympics. Apart from that, they prepare students for Oxbridge examinations.

Hastings is probably EF's flagship; it was founded in 1976 in a Victorian terrace. Brighton is the newest, set in a Regency square not far from the marina. In London, there are many choices - such as the College of English and Advanced Studies in Kings Cross, the London Study Centre in Fulham Road, the St. John's Wood School of English within a cricket ball's throw from Lord's, and many others. Interested people should consult the Association of Recognised English Language Teaching Establishments in Britain (ARELS-FELCO).

A tale out of school

Arabella Thorncroft recalls days at the crammer

WHEN THE dreaded A-Level results arrived they revealed that I had failed two of my exams. This was not totally unexpected but still a shock and very upsetting. I also felt slightly guilty since I had spent 12 years in private education and seemed to have wasted a lot of my parents' money. The big question was: what next?

I wanted to go on to further education so I was prepared to suffer another year of A level study. The decision had to be made whether to continue paying or to go to a state college of further education. The decision was, in effect, made for me because the local college did not do one of the subjects I was studying - Spanish.

So it was to be a crammer - but which one? There were so many, filling the pages of the newspapers with their advertisements, offering more or less the same and seeming to guarantee miracles. I rang up an advisory service, Gabbitas Thring, which suggested some names but indicated that there was little to choose between them.

I then had interviews with several crammers. All seemed positive that they could help improve my grades but most also emphasised the great social life which I would undoubtedly enjoy. My parents and I decided that this was not what we wanted to pay for so I settled for a small crammer which did not promise anything except an improvement in my grades. I was impressed at the interview because the principal seemed genuinely concerned. She also suggested that I drop one of my subjects, English, because I was obviously not compatible with it, and take up another, history.

Even though I had never studied it before, she predicted I could gain a C grade in a year.

I was impressed by her straight, truthful approach, and her advice seemed logical and helpful.

The crammer prided itself on small classes so that the tuition was intense. As a result, I received what was practically individual attention and any problems that arose were quickly solved. They did work us hard, especially those studying three subjects, who complained at the backlog of essays they had waiting to be done. We knew if we did not hand in work we would be asked to leave.

The students were all of one type - they invariably came from private boarding schools.

"I felt awkward. There were very rich students"

Some were there because they had been expelled from these schools; others, like me, had fallen at the A level hurdle. Quite a few were from abroad. The age range was surprisingly wide - from 15 to 25.

Everyone seemed to mix well after an initial period of silence in the very cramped common room. I sometimes felt awkward because there were some very rich students there who talked about their weekends in the south of France and their flats in Knightsbridge - but when we found the local pub and trooped there at lunch time things improved.

The attitude was fairly strict and no talking was allowed in the common room which was there so people could study. However, conditions there were not conducive to work because it was so poky. In winter it was freezing cold. We

huddled around a gas fire which gave off fumes that made us doze off. In summer it was stifling hot and you could not open the window because of the noise of passing traffic.

The standard of teaching varied, although, on the whole, the tutors were very efficient, demanding work from us and then taking great pains to tell us where we had gone wrong. However, I found this confidence building because they gave much help along with the criticism. Tutors were often either very old - one around 80 - or very young, and it could be infuriating if they did not turn up, which sometimes happened.

One of my main criticisms of this crammer is the lack of counselling and of help in applying to universities. It was left to individuals to fill in the UCAS and FCAS forms. If we did go to the tutors for help they seemed unsure and out of touch with the system. For those looking for jobs, information on careers was non-existent.

Despite the high level of tuition, the results of the people I knew were not good. I achieved my C in history and improved my Spanish by a grade, finishing up with BCE which got me into further education. Some of my fellow toilers have gone back again for another try.

It is all down to the individual. If you are prepared to work hard then you will achieve your aim, but if you drift along as many did - mainly because they had rich parents who did not seem to bother about them - the money will have been wasted. However, it is worth noting that a friend who went to the local technical college achieved better results.

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DIVERSIONS

Mountain sickness

Peter Gillman reports on a fine year for UK climbers

ONE IS not supposed to be patriotic about such things, but it has been a terribly good year for the British in the Himalayas. Last week's news that two UK mountaineers had climbed the north-east ridge of Everest - although the precise status of their achievement remains a matter of controversy - crowns a formidable list of achievements among the world's highest peaks.

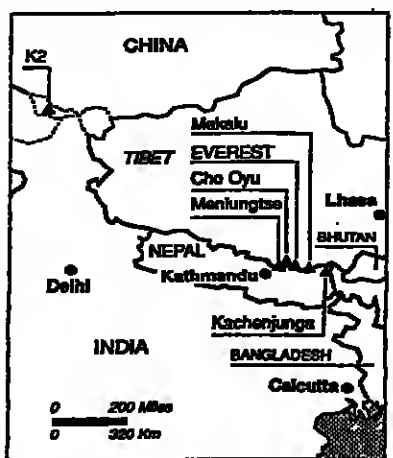
In contrast to 1987, when storms of almost unprecedented ferocity pinned most expeditions in their base camps, this year's climbers have been blessed with the fortune of good weather. But, luck is not the only commodity required to climb mountains: it has to be accompanied by sound planning, good leadership, technical prowess, virtuosity and imagination. All of these qualities - in differing proportions - have featured in the British expeditions which have reached their summits. With the mountaineering season not yet over, there could be further triumphs to come.

Somewhat perversely, the account of the British year begins with a failure. That is because the international expedition which attempted a winter ascent of K2 - at 8,611 metres, the world's second-highest peak - did so in the wake of last year's appalling weather. It is safe to say that the British members, John Barry and Roger Mear, came home awestruck at the weather they had encountered. For Mear, who previously had retraced Captain Scott's footsteps to the South Pole, enduring ferocious Antarctic blizzards en route, that is no casual statement. "It was worse than the worst weather in the Antarctic," he says, "and it just went on and on. We lay in our tents day after day, listening to the rumbling of the wind. It was the sheer power that was so formidable."

Barry was compelled to return to Britain after succumbing to a virus infection while Mear remained to take part in what became a campaign of attrition. In three months of waiting and climbing, he, with Polish and Canadian colleagues, reached just below the Shoulder, the snow platform where the fearful dramas of 1986, including the deaths of Britain's Julie Tullis and Alan Rouse, were played out. That was the limit of the expedition's endeavours and, with food and supplies dwindling, it was compelled to withdraw. It was, all in all, a relieved as well as an impressed Mear who returned in the spring. "To be honest, I was quite scared about the whole business," he says. In such circumstances, mere survival can be considered a victory on its own.

Mear's home-coming coincided almost precisely with the return of Chris Bonington to Menlungtse. Bonington, it might be recalled, made his first attempt on this shimmering coral-coloured peak, close to Everest, in 1987. He, too, was defeated by the outrageous weather. This year's second bid proved something of a watershed. He failed to reach the summit and now, at 54, says: "I don't think I've got the application to go for these big, hard, technical climbs."

There was a curious outcome to the expedition, for media attention focused almost exclusively on the animal remains it brought back, which the *Daily Mail* claiming that they constituted evidence for the existence of the yeti (the Natural History Museum, called on to adjudicate on the outcome of bets placed with bookmaker William Hill at 66:1.



concluded that they did not.) It passed almost unnoticed that, at the tail-end of the expedition, its youngest member, Andy Fanshawe, teamed up with the *Daily Mail's* news runner to climb the mountain. After his colleagues had given up, Fanshawe, an official of the British Mountaineering Council, and Alan Hinks, an accomplished climber in his own right, embarked on an audacious attempt in the modern lightweight fashion, carrying minimal supplies and staking all on a dash for the summit. They succeeded brilliantly after a four-day ascent capped by 14 hours of grappling with a 300-metre bead wall that reminded Fanshawe of climbing in the Cairngorms. They reached the 7,181-metre west summit after nightfall on April 22, climbing in the dark. Fanshawe observes drily, "was a bit unnerveing." (The east summit, two kilometres away and 158 metres higher, remains an unclaimed prize.) They returned to the base camp to find Bonington effusive in his congratula-

tions - the two Americans in the party, Fanshawe felt, were rather less so.

The same month saw an ascent of Cho Oyu, at 8,153 metres the world's eighth-highest peak and one of the very few of the fourteen 8,000-metre peaks the British had not climbed previously. The expedition had hoped to employ ski-mountaineering techniques, bringing the bonus of a luxurious descent from the summit. The conditions defeated those plans, for scouring winds had left their route on Cho Oyu's west ridge almost bare of snow above 7,500 metres. In the event, only one man reached the summit: climbing instructor Dave Walsh, who, at 44, proved that the experience and sagacity of middle age are at least equal to the exuberance of youth. His partner, Dave Morris, turned back 200 metres below the top and suffered frostbitten toes.

And so to Everest. In 1987, the weather defeated all but one of the dozen or more expeditions laying siege to it by a variety of routes. However, in the past decade there have been several notable ascents of Everest representing the latest advance in mountaineering standards.

Once, climbers spoke in awe of the "death zone" above 8,000 metres where no-one could survive without carrying oxygen sets. But, in 1980 the Austrian, Reinhold Messner, made an astonishing solo ascent without oxygen and there have been similar climbs since, the most remarkable that of the French and Swiss pair who reached the summit without oxygen in just 26 hours in 1986. These precedents helped to inspire the first British mountaineer to succeed on Everest this year, Stephen Venables, a writer and lecturer aged 34.

Venables, the one British member of a small American party attempting Everest's unclimbed east face, made a fast ascent to the south col and embarked on the final 850-metre summit on May 12. His two companions turned back at the subsidiary south summit but Venables pressed on to become only the eighth British climber - in a list now standing at 204 - to reach the world's highest peak. He survived a bivouac in the open during his descent at the eventual cost, through frostbite, of three toes - a price he considers worthwhile.

Venables' triumph was followed by the success of most recent British slant. At Phillips, on Wednesday, the Beatles are less dominant. Phillips must, however, be hoping for the top price from the series. It is offering two of Elvis Presley's stage costumes: the white outfit known as Shooting Star, which he wore at Madison Square Garden in New York in 1972, and a blue suit worn during the tour of Hawaii in the same year. Shooting Star could make £24,000 while the Hawaii blue has a £20,000 top estimate. The great scourge of this market is faking and Phillips, which has been conund in the past, offers these lots with a letter of authenticity from the designer, Bill Belew.

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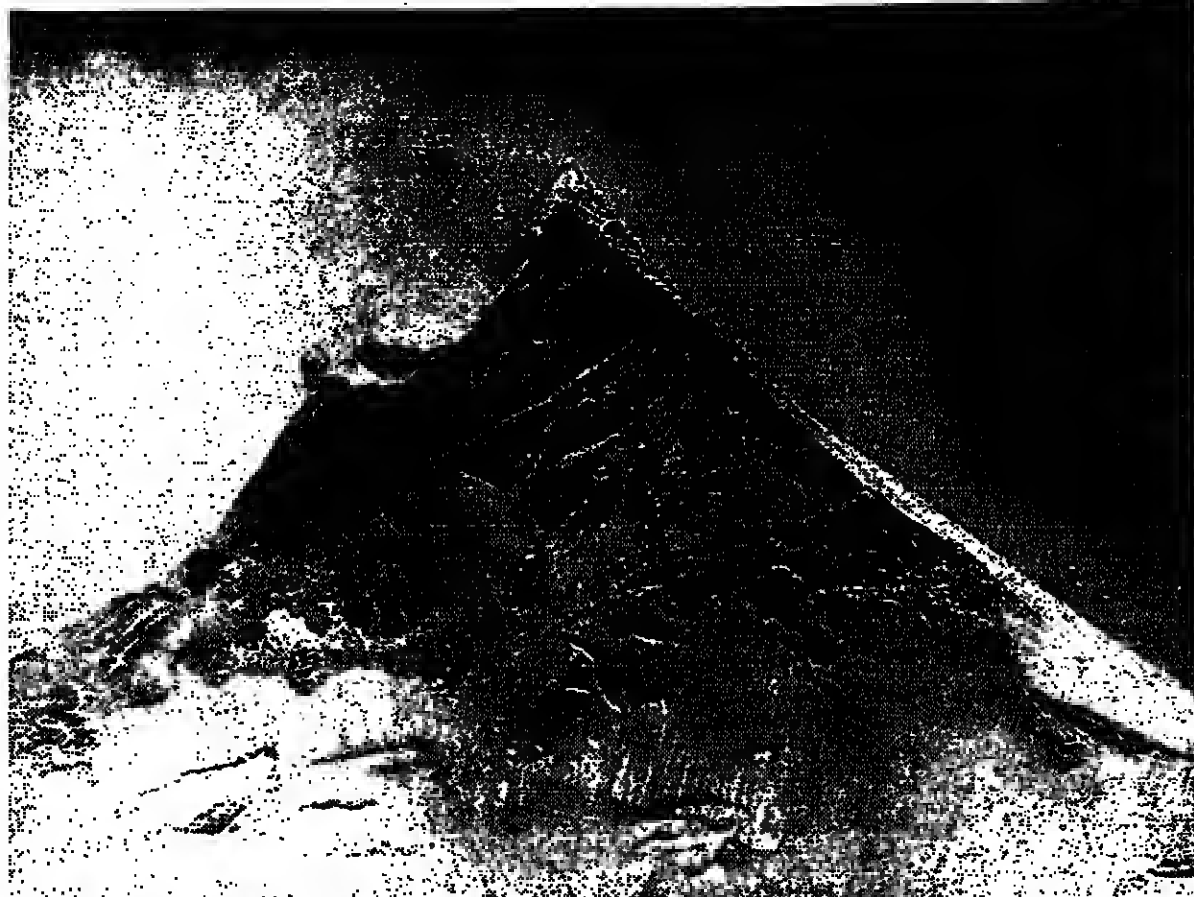
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The west summit of Menlungtse climbed by Britons Andy Fanshawe and Alan Hinks on April 23 this year

tain's north col route, scene of the heroic failures by the pre-war British expeditions.

The north-east ridge acquired a rather sinister reputation when the first British attempt, led by Chris Bonington, ended in the disappearance of Joe Tasker and Peter Boardman in circumstances chillingly reminiscent of that of Mallory and Irvine 50 years before. The main stumbling block, and the point where Tasker and Boardman last were seen, proved to be a line of jagged pinnacles shortly below the junction with the north col route.

The challenge was taken up by a highly-experienced group of climbers, including the venerable Joe Brown, reinforced intriguingly by a detachment of former members of the SAS. On their first attempt, in 1986, they barely reached the pinnacles; on the second, last year, they passed the first pinnacle before being driven back by a hurricane. It could, therefore, be regarded as a considerable act of faith that they should have returned for a third attempt.

There was an early setback when their leader, Brummie Stokes, had to be flown home after succumbing to the high-altitude ailment, cerebral oedema. For Stokes, it was a disappointing end to what had become something of an obsession. He had climbed Everest with the SAS but resigned from the regiment when it refused to let him make another try.

Thereafter, he had pursued his ambitions as a civilian.

Under the new leadership of Paul Moores, a member of the Gloucester mountain rescue team, the expedition persevered and, on August 6, New Zealander Russell Brice and Harry Taylor, another ex-SAS alumnus, overcame the last of the four pinnacles. They had to spend a night in the open, during which a foot of snow fell. They then continued later that the climbing had been "like walking a tight-rope."

What ensued after they had overcome the pinnacles has spurred controversy in the mountaineering world, for Moores felt that the weather presented an unjustifiable risk and told them to descend via the north col rather than continue for the summit. The question posed among climbing cognoscenti, therefore, is whether this constituted a true ascent. It was a question of immediate concern to Bonington, since he already was preparing an expedition to the north-east ridge in 1989. The ascent, he says, "was a bold, necky push and a fine piece of mountaineering. But they haven't climbed the north-east ridge because you've got to get to the summit to do that." Nonetheless, Bonington has decided to abandon next year's attempt. "With the pinnacles climbed there would be no mystery in it, and I personally don't think all the effort would be worthwhile."

Bonington now has offered his permit for 1989 to Doug Scott, who

took part in one of the previous attempts on the pinnacles and was planning his own expedition to the north-east ridge in 1990. Scott's response is not yet known as he is engaged in an attempt on Makalu, a majestic peak 12 miles south-east of Everest, at 8,481 metres. It is the fifth-highest in the world and has not yet had a British ascent. But that is not for want of trying, either, as Scott already has made three attempts. In 1984, he came within 100 metres of the summit and undoubtedly would have reached it if one of his companions not been suffering from an oedema and unable to walk another step.

This time, Scott is doubling his chances by leading an expedition preparing to make two attempts. One group in his party will be following a couloir on the edge of Makalu's west face while Scott will be leading a team on the west face itself, so far unclimbed. This will present probably the hardest technical climbing ever attempted at high altitude: a 750-metre rock band starting at 7,500 metres which defeated the only previous expedition to try after just one rope length. Scott scrutinised the face from Everest last year and believes he discerned a feasible line. He was, thus, moderately hopeful about the expedition's chances of succeeding on at least one of the routes. "We've got a good chance of climbing the mountain, one way or the other," he said before leaving.

Food for Thought



Vintage eating

THE SUBJECT of cooking with vintage came up the other day and I'm dashed if I know the answer. "Oh yes," said Ponsbury, "of course you have to use the Chamberlain if you're going to do the job properly."

"Rubbish," replied Snodgrass. "You wouldn't be able to tell a Chamberlain from a Californian cab. sav. once it had been boiled away to practically nothing."

It is, however, a fair point that Ponsbury raised. Is there a qualitative difference between *cog ou vin*, and one which we would notice? Or can one get away with slicing various dainty tributaries of the EEC wine flood into *boeuf bourguignonne*, *sole bonne femme* and the *ris de veau à la financière*, and passing them off as the real thing?

Elizabeth David puts it more graphically. Those to whom the drinking of wine is a daily occurrence will know that a glass extracted from their bottle of respectable table wine is likely to produce better results in the flavour of the finished dish than will some thin and sour stuff reserved especially for cooking.

Well, it couldn't be clearer, could it. But how far can you get away from the great classics, thought The Ponsbury problem remains.

Not so long ago, I was invited to an event that threw this little conundrum into high relief. The *Wine Magazine* had organised a feast of dishes at the Paris Bouléstin restaurant in central London, cooked by the talented team there under the eagle eye of chef Kevin Kennedy. The point was to taste a number of classic dishes, each of which had been prepared in two ways. One made use of a first-class wine but the other, well, didn't.

To give you some idea of the fun and games, half of the plate of the *terrine de foie gras à la maison au gelée de Sauterne* was accompanied by a jelly made with the real McCoy, while the other was made with McCoy's third cousin 10 times removed. And the *pinotadeau poêle au vin de Bourgogne* was served with *legumes* definitely benefited from the attentions, on the one hand, of the Chevre Chamberlain as against the Bulgarian country wine, on the other.

For a full report on our deliberations, I suggest you snap up a copy of the November edition of the *Wine Magazine*. But I don't mind leaking one or two conclusions to you.

The immensely-discerning Auberon Waugh was convinced that hair oil had been added to the *sorbet de champagne* that wasn't, if you catch my drift. The consistency of the *saucé bonne femme* accompanying the *filets de sole farcies au beurre de turbot* was debated hotly. Sadly, by the time we got through to the *nectarine poché au glace de cognac*, I was afflicted so badly by hay fever that I could no longer comment seriously on anything.

However, I had come to certain general conclusions which I am happy to share with you. The bad news is that there is a definite and obvious difference in the flavour of sauces or dishes made with different wines. In each case, it seemed to me that the sauce made with decent plunk was integrated better and had a greater depth of flavour as well as a more pronounced one. The good news is that, with the exception of the *sorbet au champagne*, the difference wasn't that great. It probably was discernible only in a comparative tasting of the kind that we enjoyed.

It should be added that the event proved also that a skilled chef can make an excellent sauce out of unpromising materials. And if he can, can't we? Perhaps we can. It all depends if you consider Bulgarian country wine good enough to drink at the table as well as in the kitchen.

Arthur Hellyer

Robin Lane Fox is on holiday.

Peter Fort

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Saleroom

Pop go the memories

Antony Thorncroft on the price of lost youth

Christie's South Kensington next Thursday have a Beatles' slant. At Phillips, on Wednesday, the Beatles are less dominant. Phillips must, however, be hoping for the top price from the series. It is offering two of Elvis Presley's stage costumes: the white outfit known as Shooting Star, which he wore at Madison Square Garden in New York in 1972, and a blue suit worn during the tour of Hawaii in the same year. Shooting Star could make £24,000 while the Hawaii blue has a £20,000 top estimate. The great scourge of this market is faking and Phillips, which has been conund in the past, offers these lots with a letter of authenticity from the designer, Bill Belew.

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THE BEATLES

The Beatles' drum skin estimated to fetch £30,000

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Gardening

Attractions from Africa

Aequalis is a much bushier, leafier, more compact plant and its flowers, although also tubular, are not attached so feebly to the plant. They are also a rather dull rose pink that does not catch the eye, and it is distinctly more tender than *capensis*. I grew it for a few years and did not grieve much when a hard winter killed it.

That was before I knew Yellow Trumpet, a variation of *aequalis* with primrose yellow flowers. It also has a slightly different habit which displays the flowers well, and is a most attractive plant. I mourned a lot when it was killed in my garden by the hard winter of 1988-89, and the only reason I did not replace it immediately was that I feared the same thing might happen again.

Then, during a recent visit to Scotland I spent an hour in the Logan Botanic Garden a few

miles south of Stranraer and met a whole lot of new phytellus varieties of which I had not even heard before. Returning to my home in Sussex and going to a nearby garden centre for chemicals, I found one of these newcomers, named Salmon Leap, for sale. A fine, sturdy plant in a three-litre pot for a mere £2.50.

Seeking enlightenment, I discovered it almost immediately in the August issue of *The Gardener*, the official journal of the Royal Horticultural Society, which contains an article with good colour pictures describing these new developments in phytellus.

Although they are hybrids between the two old species, all those I have so far found most attractive bear a strong resemblance to *capensis*. Where they differ most from it

is in their larger, more showy flowers, some of which flare more widely at the mouth to reveal an attractive blaze of yellow against the orange-red that is the main colour of the bloom. The showiest I have seen so far is called African Queen.

There are said to be more than 40 distinct species of diaceae growing wild in South Africa and at least 14 of these can be bought in British nurseries but, as garden plants, two stand head and shoulders above the rest. These are *rigescens*, which was the kind mainly in evidence at Logan, and *coriaria* which, under its other name, *berberis*, was the first to become popular. Both have the typical diaceae flowers, resembling closely those of nemesia, but with two pectiniferous spurs at the back to attract pollinating insects.

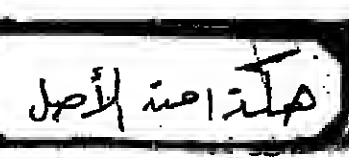
However, they are totally different in habit.

Coriaria creeps about, carpeting the ground and finding its way into all the crevices of rockwork and unmortared walls. The best form of it is sold as Ruby Fields. *Rigescens* crowds its flowers into long, slender spikes stiff enough to hold themselves erect like little antirrhinums. All the diaceae flower for months on end, and all those I have seen are in some shade of pink but with just a hint of blue and yellow to soften the colour and bring it into the range of china rose to dawn pink.

Diaceae grow readily in most soils and open, sunny places. They are on the borderline of hardiness but survive most winters in the south and west if the soil is drained reasonably well. Elsewhere they can be over-wintered in pots in a greenhouse or a frame with minimal heating.

Arthur Hellyer

Robin Lane Fox is on holiday.



DIVERSIONS

Bye-bye blandness, hello style

Lucia van der Post waves farewell to Bhs's pink crimplene, nylon cardigan image

BRITISH Home Stores has won that slightly desperate air over the last few years of a store in urgent need of an image. Playing that game of association which psychiatrists are so fond of, all that BHS brought to my mind was a vision of oceans of cheap merchandise, lots of it luridly coloured, curiously interspersed with little pockets of excellence like some of the lighting.

Courran's Storehouse group. Ever since, the City (which is hoping for increased profits), the design experts (who are hoping for something new to copy or to criticise) and the shoppers (who are hoping for the famed Courran expertise at the old BHS prices) have been waiting for the miracle.

Two years isn't long for a miracle these days (in the heyday of miracles there wasn't much talk of production schedules and lead times) and Sir Terence himself said it would take three years before any changes were visible. So here we are two and a half years on and BHS now feels it has something to shout about.

Jan Kern, managing director of the fashion division at Courran Design Associates, has been in charge of overseeing the new direction at BHS. "We were acutely aware that the BHS label was not one that people felt proud of or that they aspired to. We had to change. We had to give the chain an identity so that people would know what we were offering. The first thing was to try and decide what it was that people wanted from a chain store. We felt that people came to us for needs, as opposed to

HOW TO SPEND IT

wants - for things like underwear, knitwear, bras, tights, for updated classics. "But what we have tried to do is not to change the price too drastically. At every price point we have tried to do the best we can. Our new message is - everything's changed but the price." All this sounds like music to my ears. What I, and I suspect most others, want to find in their local chain store are good quality basics with the kind of anonymous quality that means they will blend seamlessly into the wardrobe. What we emphatically do not want are clothes which are trying too hard, designer imitations which need the finest fabrics and hours of care before they are convincing. There are certain things for which, in my view, it is difficult to pay over the odds - they need

only be done as well as a chain store can do them. Take a tracksuit - I have been looking in vain for months for a plain tracksuit in a dark colour at a reasonable price. With the whole nation apparently bent on leisure and health, you would have thought this would not be difficult to find - you'd be wrong. Everywhere there are plain dark colours at prices that seem over the odds or the price is right and the colours terrible. BHS has the answer - in chic dark bottle green poly-cotton trimmed with cream, or navy blue with a touch of red, tops are £22.50, bottoms £19.99.

Then there is the short sharp skirt, essential for this season's silhouette. In pure wool, fully lined, it comes in red or black and sells for £24.99. There is a marvellous short, swingy coat, full of flair and zip, in pure wool in mushroom or black, it sells for just £69.99. Look out, too, for this season's essential shoe - high-cut, conical heel. At £12.99 a pair who cares if they aren't real suede - they look so good you can wear them while you give your £150 Manolo Blahniks a rest. I wouldn't say it is all completely wonderful yet. After being seduced by some beguilingly up-to-date and infinitely desirable items in the press office on Friday, I did a trawl around my local BHS on Saturday - not the same thing at all. There, indeed, were some of the marvellously essential items I'd seen in the press office but nesting beside them were some other infinitely missable numbers. What you need most of all this autumn, to take advantage of the excellent value and some of the real panache that BHS has gone in for, is a clear and steady eye and taste. Trawl through the racks and rails but keep your tastebuds on full alert. BHS is clearly full of good intentions and awash with pure new wool but the Kensington High Street branch at any rate is still being renovated and warrants a strong sense of order to do justice to the bargains within it.

For those looking for some essential items for their autumn/winter wardrobe I picked out some of this season's best buys:

- A black velvet dress so plain you could dress it up and make it look very different each time you wear it. With a slashed plunging back, demure high front, a slightly dropped waist and important sleeves, it must be a bargain at £45.
● Tough "fur"-lined frontier leather boots, perfect for winter country walks, £29.99
● Underwear - deliciously pretty, much of it in pure cotton, varying from the sweetly pretty to the seductive.
● Knitted coat in navy and bottle green check (50 per cent acrylic, 15 per cent nylon, 35 per cent wool), soft and easy to throw on, just the thing for the car, for walking the dog, for wearing when it's not quite cold enough to attempt the full wrap-up routine. £55.
● Hats - of course they don't look like designer numbers but for the price you'll pay they're excellent value. The classic felt boater at £12.99 and the two-tone navy blue and bottle green upturn at £11.99 don't go in for any fancy numbers but are good classic numbers you could wear (almost) anywhere.
● Short flared coat with this season's essential swing - in pale mushroom, or black, good with short skirts, at £69.99.
● Satin evening shirt, £19.99.
● Box-checked jacket in pure new wool, maroon, bottle green and mustard, £49.99.
● Some splendid children's wear - in particular a demure little coat in navy or red with the sort of velvet collar granies and nannies love, for just £24.99. At that price you would not expect pure wool and you don't get it - it is 50 per cent wool, 50 per cent viscose.

Smaller branches will not carry the full range but most of the large ones should have everything mentioned, except the shoes, which will be available in three weeks' time.



Steak city suit in black and white dog-tooth check, 70 per cent wool, 30 per cent polyester, £49.99 the jacket, £19.99 the skirt. Lambswool polo neck, black, £16.99



Wrap-over acrylic jersey dress in black or rich brown, £29.99.



Pure cotton Victorian-style nightdress, £19.99



White pure cotton-knit "teddy", £10.99

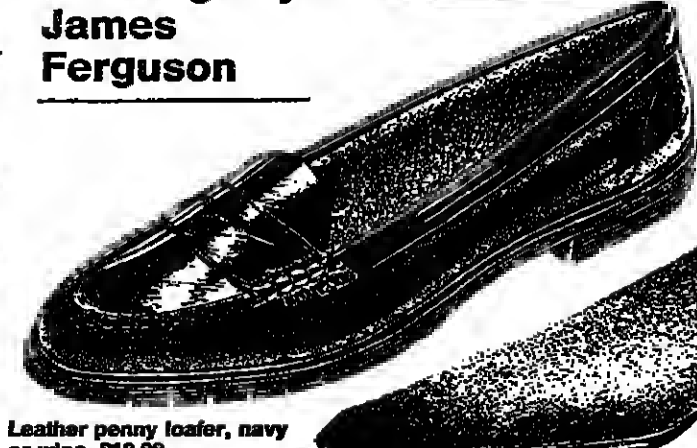


Not leather, but lots of panache for £14.99

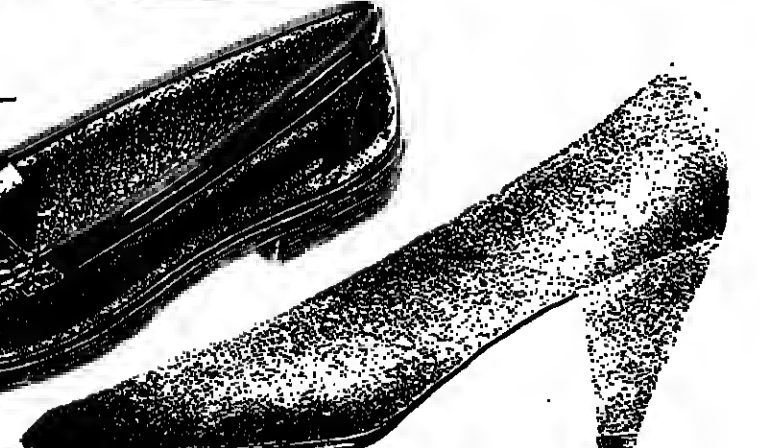


Leather "flying" boot, acrylic-fur-lined, £29.99

Drawings by James Ferguson



Leather penny loafer, navy or wine, £19.99



Chocolate brown "suede" shoe, £12.99

I SUPPOSE that diehard picklers of button onions and hard-boiled eggs still remain faithful to malt vinegar, but the rest of us switched allegiance to less lethal brews years back. Then a decade or so ago, the fashion for plain wine vinegars gave way to a passion for more specialised numbers. Herb, spice, flower and fruit-flavoured vinegars became the in thing, with raspberry vinegar a particular darling of nouvelle cuisine.

The joy of raspberry vinegar

Philippa Davenport explains how you can make it - and others

der vinegar I found more interesting, but more of a curiosity than a gastronomic thrill. It looked brilliant when I made it. A year later it has turned the colour of peaty water, but I still enjoy uncorking the bottle: its sizzling scent makes a potent and volatile. Perhaps I should patent it as such. Its culinary advantages seem limited, my only great success being to add a discreet spoonful to the broth over which I steam tender young rabbits.

Cookery

Some of the blackberry, blackcurrant and raspberry vinegars I have tasted have been beautifully fragrant. Some have been dull. Others were downright nasty. I doubt they had ever been in contact with fresh berries, more likely made with synthetic fruit flavourings.

Top-quality raspberry vinegar is a joy. The proponents of nouvelle cuisine were right to latch on to it. Once tasted, you will be loathe to be without it in your kitchen. The best version by far that I have tried is made by Martin Pouret of Orleans. It is mellow and sings with fruitiness, just one whiff of it capturing the essence of a warm and sunny summer's day. Next best is home-made: its deliciousness depends, of course, on using fresh, well-flavoured berries and good-quality wine vinegar to make it. Said to say, this waterlogged

summer is unlikely to produce a brilliant vintage. To make RASPBERRY or BLACKBERRY VINEGAR, put fresh hulled berries and good wine vinegar into a china bowl, allowing 1lb of ripe fruit for every pint of liquid. Cover with a thick cloth and leave at warm room temperature for five to six days, stirring just occasionally. Strain off the liquid and repeat the whole process using fresh berries to intensify the fruitiness of the vinegar. Strain, bottle and store in a cool, dark larder.

is deliciously sweet, yet sour. A speciality of Modena, its distinctive qualities come from the fact that it is made from the cooked and reduced must of certain sorts of grapes, fermented slowly and matured lovingly in a series of casks each made from a different sort of wood.

Advertisement for J.B. Blancpain watches. Text: 'SINCE 1735 THERE HAS NEVER BEEN A QUARTZ BLANCPAIN WATCH. AND THERE NEVER WILL BE.' Includes an image of a watch and contact information for LONCOON Carringtons, Mappin & Webb, David Morris, Garrard, London Hilton Jewellers, Watches of Switzerland, The Watch Gallery Tyme.

BOOKS

Anthony Curtis studies the latest batch of Max Beerbohm's correspondence

Wit and wisdom of a practical joker

UNLIKE THE Letters of Oscar Wilde which Rupert Hart-Davis presented to the world in 1962 in one massive magisterial volume, supplemented by further gleanings recently, Max Beerbohm's correspondence has been appearing on an instalment plan. From time to time Max's letters to and from various individuals have graced separate volumes. The first was his Letters to Reggie Turner (1964); then in 1975 came Max and Will (Rothenstein) edited by Mary M. Lago and Karl Beckson; while two years ago Sir Rupert gave us Siegfried Sassoon: letters to Max Beerbohm & a few answers, to mark Sassoon's centenary. However, that still left a great many Beerbohm letters to people like Shaw, Archer, Lytton Strachey, Edward Gordon Craig, Henry James, and other less celebrated recipients, still needing to be published. Wisely, Sir Rupert has decided not to print them all because many of them deal only in trivia (though with Max it is not always easy to distinguish trivia from significance). He decided instead to bring out a representative selection covering Max's whole life.

LETTERS OF MAX BEERBOHM 1892-1956 edited by Rupert Hart-Davis. John Murray £16.95, 244 pages

Cecil's lengthy biography, a short cut to the mystery of what happened to Max after his early blaze of glory in the London of the 1890s. In those days, in addition to making his mark with his drawings and his essays, Max was a great practical joker. Almost the first letter here, written from Oxford in 1894, is to the Editor of The Yellow Book explaining that Max's article in the first number about Cosmetics which had set off such a furor was a hoax. Four years later Max writes to the Editor of the Pall Mall Gazette learnedly expounding a puzzling line from one of Shakespeare's sonnets. Max divines its true meaning with reference to Hor's Complainte of Antient Heruldris and the Devises published in 1653. Sensation among the heralds; but trying to check the reference no one in the College of Arms could find any trace of this tome - until Max put them out of their misery by admitting it was a pure invention.

While in Dieppe he writes to the lady who was to become his wife: "One midnight last week found me, in company with two other men as old as myself, depositing an array of champagne bottles, noisefully in the bedroom of a chauffeur who lay sleeping innocently on his bed - also putting his watch back by two hours and performing similar tricks which, lamentable as they seem in narration, thrilled me through and through with happiness at the moment of performance."

Parody, the faking of other people's style, an art of which Max was a great master, is a literary form of practical joking. No finer book of parodies has ever been written than his A Christmas Garland; yet it now emerges Max was worried lest Henry James, one of the authors parodied, might take offence. Here we can read a reassuring letter from Edmund Gosse, that indelible middle-aged man, telling Max that James "desired me to let you know at once that no one can have read it with more wonder and delight than he."

Max had an even more intimate confession to make to Florence Kahn than his love of practical jape. The crucial sentence from a number of letters to her before they were married reads: "I like you better than any other person in the world. But the other sort of caring is beyond me. I realise quite surely now that I shall never be able to care in that way for anyone."

Sir Rupert interprets this as meaning that if they were married the marriage would never be consummated. "Max" he writes "was a natural celibate and I doubt whether he ever had sexual experience of any kind." Florence's nature was, luckily, compatible with this and they were extremely happy. On her death in 1951, Florence's role was taken over by Elisabeth Jungmann who had been secretary to Gerhardt Hauptmann, the playwright. She ended her life as Lady Beerbohm.



returning to England during the two world wars. As these letters testify Max certainly did not go to seed in Rapallo. The liveliness of his mind, his passionate concern with the beauty and purity of the English language remained unimpaired, as did his capacity for friendship. There was an

endless procession of eminent visitors. He continued to write occasional essays. Nonetheless the sense of waste is always present. When he was in his twenties he made a joke in public about retiring and leaving the way clear for younger men, and it seems as if he was hoist with his own joke.

ELEPHANT AND OTHER STORIES by Raymond Carver Collins £11.95, 124 pages

FAMILY BUSINESS by Anna Murdoch Collins £11.95, 653 pages

ALASKA by James Michener Secker & Warburg £12.95, 916 pages

most moving in the book - and carries on through the Gold Rush right up to the present. A fantastic read, as they say nowadays, and a great tribute in itself to its author's knowledge and energy. Martin Seymour-Smith

RAYMOND CARVER died at 50, after a long struggle with cancer, only a few days before the issue of this collection in England. This is an age of fatuous hyperbole, and Carver's work has come to us for some of it. But, unusually, the work really is important: Carver made himself the natural American successor to his true mentor, Chekhov.

Fiction Chekhov's successor

"Boxes" is an almost intolerably sad account by a son of his old mother's descent into insanity. "Mendo", a more involved story, is another first-rate account of descent into despair or madness, perhaps both. Carver could speak in the unhappy voices of his protagonists with haunting power, capturing the half-almost, half-directed manner of their reveries. The secret lies in his rendering of the true rhythms of speech. Like Joyce, and with a little pretension, he lets us know that the commonplace is also its opposite. He never wrote better than he wrote in this volume, and seems to have reached the top

of his powers. He is a bitter loss to international letters. Anna Murdoch's second novel is dedicated to "all newspaper pioneers - past, present and future." A work of, as the publishers declare, "stunning power," it certainly requires some adjustment of critical standards. It concerns Yarrow McLean; indeed, it "introduces" her to "current fiction" - perhaps we shall hear more of her. Yarrow saves her grandfathers' paper, and balances her love of power with her love for the man who inspires her, Elliott Weyden, but Elliott wants nothing less than the presidency. The details of how Yarrow achieves

this balance between power and love would have caused even the late Henry James to lift at least one eyebrow. Recommended for students of progressive fiction. James A. Michener is now 80 years old, but age has not made his hooks get any shorter. Since many people, including several taxidrivers I have encountered, obtain most of the education they possess from Michener, I assume that it is a good thing. Here, in only 916 pages, the development of Alaska from the earliest times is traced. The hook begins before human beings arrived - the section on the mastodon is the

East Enders

EAST END 1888 by William J. Fishman Duckworth £18.95, 343 pages

JUST A century ago, life in London's East End could only be described as filthy, poor, nasty, brutish and short. William Fishman, a historian at Queen Mary College, and himself a native East End, has painstakingly portrayed the social conditions of 100 years ago to dispel any notion that Victorian times were Good Old Days for the majority of working-class Londoners. Despite the topical title, this is an academic historian's work with footnotes beneath every page and carefully researched sources for almost every assertion about social life in London's poorest quarter. It is history in the raw with no punches pulled depicting with deep compassion the deprivations suffered by the poor of London in the last quarter of the 19th century. In the year of Jack the Ripper and a year before the great dock strike, the East End was still "a hell of poverty" where men and women fought for jobs offering a few shillings a week in return for 12 or more hours' labour for six and a half days a week, often in unsanitary sweatshops. The poor lived in squalid tenements, with more than one family

squeezed into a single room. Things were far worse for the large number of unemployed. While conditions for living were insanitary, working conditions were at times dangerous (as in the Docks) and invariably demeaning. Men risked their lives for 5d an hour or submitted to the foul environment of the sweatshops. Just as the poor were pitted against the rich, regular workers were pitted against "greeners" or immigrants, those in jobs against the unemployed and Gentiles against Jews who had fled from Russia to escape persecution, forming a vast ghetto. Small wonder that crime was rampant and the East End acquired a reputation for violence too often directed against the weakest. Among the wealthier classes, there was only one underlying fear: that the working-classes would rise in revolution against the existing order. By emphasising the horrendous state of urban life 100 years ago and its contrast with present conditions the author is - if unintentionally - demonstrating the ability of capitalism to change itself and to improve conditions and living standards beyond recognition. William D. Shoht

Hubris and nemesis

AS MORALITY tales go, the story of the rise and fall, and rise and fall, of Jeffrey Archer, is destined to be a modern classic.

Money and fame seem to have been his twin gods and just as in all good morality tales such false idols destroyed their worshipper. If Archer had not wanted to become a millionaire, he would not have remortgaged his home and borrowed extensively to invest in Aquablast, an obscure Canadian shell company, in the hope of getting very rich very quickly. It was a case study in foolish investment that should be read, and understood, by all potential members of the "share-owning democracy". The shares were, of course, worthless and the young Tory MP was ruined - end of Act One of the Archer morality play. If Archer had not so relentlessly pursued publicity all his life, he would not have been such a tempting target for Fleet Street when the Monica Coughlan story appeared. Even if he had stuck to best-sellers, and forsaken the world of politics, he might have escaped. "Gabriel Garcia Marquez in sex scandal" is an unlikely headline for the News of the World. However, a deputy chairman

IN-FOR-A-PENNY: THE UNAUTHORISED BIOGRAPHY OF JEFFREY ARCHER by Jonathan Mantle Hamish Hamilton £11.95, 259 pages

of the Conservative party, who had a tendency to make embarrassing and insensitive remarks about Ireland and unemployment, was the kind of public figure that newspapers take a delight in destroying. His resignation from Central Office closed Act Two of the morality tale. Act three is already under way. Rather like another enigmatic post-war figure, Richard Nixon, Archer has shown a remarkable ability to bounce back from blows which would have knocked out the vast majority of men. The source of this extraordinary drive is the most intriguing aspect of Archer's character. It was only Archer's pushiness that carried him from being an obscure PE teacher, to Oxford, to charity fund raising, to politics and then best-sellers. But that same pushiness made him plenty of enemies who waited gleefully for the best moment to attack. In fact, as a cycle of hubris and nemesis, it is almost too

perfect and one hoped from the "unauthorised" element of the title that Jonathan Mantle would contribute deeper psychological insights. In fact, he asks very little of the widely-known details of Archer's career.

We learn that Archer has occasionally allowed it to be thought that he was educated at Wellington School, Somerset rather than the more famous Wellington College, Berkshire and that fellow undergraduates were not always aware that he was attending Oxford's Institute of Education rather than one of the "real" colleges.

It does not seem a particularly heinous crime. Only in England, the land of the old school tie, would such obscuration have been necessary. But Archer's critics seem mainly to have been motivated by envy or spite; there seems little doubt that he is both an extremely good fund-raiser and a natural story-teller.

If Archer has greater depths, Mantle does not reveal them. It may be, of course, that he is exactly what he appears; like a figure from his books, a two-dimensional character in a rattling good tale. Philip Coggan

Robert Blake assesses Leo Amery's contribution to British politics

Tory grey eminence

LEO AMERY was a nice man, honourable, honest, intelligent and articulate. Perhaps too articulate. He was never a man for brevity. I remember him, a small wiry figure, addressing a gathering of Rhodes Scholars in a marquee on a hot summer evening to celebrate the Trust's golden jubilee.

THE EMPIRE AT BAY: THE LEO AMERY DIARIES 1929-1945 edited by John Barnes and David Nicholson Hutchinson £19.95, 1153 pages

We had dined well, but 50 minutes of post-prandial oratory palpably tried the patience of some of the guests. It has been said of him that he would have been Prime Minister if he had been half a head taller and his speeches half an hour shorter.

It is no surprise that his Diaries for the period 1929-1945, though much condensed by the editors, run to more than 1100 pages. And he was not a Pevensy or a Greville. He wrote clearly and efficiently, but not vividly or amusingly, more like Dick Crossman or Harold Macmillan, who contributed a foreword to this volume. Amery was aware of his limitations. "I daresay I have suffered from lack of the phrase-making gift," he writes, contrasting himself with Churchill and Lloyd George; and again: "Whether any particular writing, action or speech of mine is likely to live is doubtful. But the sum total of my contribution in ideas and steady following them up over a lifetime may in fact, if not in repute, have amounted to a good deal and with that inner consciousness of immortality I can afford to rest content."

What did he contribute in ideas? He was a passionate believer in Joseph Chamberlain's policy of Imperial Preference, a tariff wall round the Empire and free trade inside, to produce economic and political union, ideally a federation like the United States. But the whole trend of imperial development was in the opposite direction. It was centrifugal, not centripetal; and the whole Dominions which the Tariff Reformers had mainly in mind sought greater independence rather than closer union.

As Dominion Secretary 1925-29 it fell to Amery to implement the Balfour Report of 1926 which, under a characteristically subtle formula, was the charter of Dominion nationalism, not Imperial unity. After 11 years in the political wilderness he came back into office as Secretary of State for India, in 1940. The office was far from being his choice. Although "born in the North-West Frontier Province he was taken to England at the age of three and he never returned to the sub-continent. India did not fit into the plans of the Tariff Reformers. He was not at ease with its problems. Nor was he at ease with Winston Churchill, whose views on India remained rigidly conservative to the end. Their relations had been ambivalent since their boyhood days at Harrow when Churchill, a red-haired junior, had pushed Amery, a self-conscious but very small sixth former,

it was a fair criticism of the first volume that the reader was not given sufficient background information. This certainly cannot be said of the second. No one is going to read this book steadily through from cover to cover. There are too many longeurs, too many passages like "dined with Prince Rohan, one of the leading Austrian Nazis and met a couple of his friends. We had a most interesting evening" - an entry calculated to make even the most enthusiastic reader switch off.

But the volume will undoubtedly become a very valuable source for future historians. Amery was an honest, if not very exciting, recorder of scenes, people and events. By the nature of things there can be no corroboration of much of what he says, and diaries are notoriously unreliable. But this one rings true.

It is doubtful whether Amery could ever have been Prime Minister. This is not because he lacked the gift of phrase-making. Think of Bonar Law, Atlee and Eden. It was, rather, that he possessed too much "enthusiasm", a quality which, Disraeli said, "ought never to be possessed by an Archbishop of Canterbury or a Prime Minister of England". Even that was not fatal. Think of Mrs. Thatcher. But it depends on what one is enthusiastic about. Dreaming of imperial unity Amery enthused over the "lost causes, and forsaken beliefs, and unpopular names, and impossible loyalties" which Matthew Arnold attributed to their common university.

Amery was paddling against a current which was to sweep away all the policies in which he believed. This does not detract from his career as a decent man and a valuable chronicler of the times in which he lived. The editors and publishers deserve to be congratulated upon a major contribution to twentieth century political history.



Leo Amery chatting to troops

Crime

DESIGN FOR DYING by Anne Morice Macmillan £9.95, 176 pages

DEATH ON NO. 8 HOOK by Laurence Gough Gollancz £9.95, 189 pages

ANNE MORICE introduces us in Design for Dying to the dreadful Christine Barnaby and her long-suffering cousin Martha. After an extended absence in Africa, Christine comes back to rural England with two husbands (one has been divorced, legally at least) and a small son. The family tensions are neatly poised and described; the other actors in the drama are all nicely defined. An exemplary job. In Laurence Gough's Death on No 8 Hook Vancouver reads like a beautiful city, but crime and underworld life seem to flourish there, as everywhere else. Fortunately the police department can rely on Detective Jack Willows and his wise and pretty partner Claire Parker, who - while pondering also their private problems solve a double murder and chase some unscrupulous killers successfully. William Weaver

The world is heading inexorably towards chaos. Throughout the West inflation is raging and recession is deepening... APOCALYPSE 2000 PETER JAY AND MICHAEL STEWART A frighteningly possible scenario for the future of our world. A hypothetical future history of the Western economy that is readable, entertaining and all-too-plausible FINANCIAL TIMES NOT TO BE MISSED IN SPHERE PAPERBACK

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ARTS

Japanese add a new chapter to an old tale

There are only three stories about the Edinburgh Festival... always have been, always will be. They are the indifference of the locals, including the ruling Labour Council...

four from another Japanese visitor, Zenya Hamada, who describes himself as a Tokyo tycoon. He is also the writer, director and producer of Pionzo, a play about the artist.

There was widespread relief when the notorious "hole in the ground" in the centre of Edinburgh, for 40 years favoured as the site of the city's main opera house...

opera house to be built at Leith, down the road, and on the river, and now enjoying a Tangle revival after years of decline. On the surface it is nonsense, but Brown has won promises of cash from some serious commercial interests.

The Scottish Arts Council is responsive to the scheme in preference to Frank Dunlop's own idea - a £6m facelift for the Playhouse. This now looks like unimaginative patching.



Edinburgh Festival director Frank Dunlop

Edinburgh the opera house that will enable him to play host to some of the world's great companies who cannot visit the Festival for lack of an adequate major venue is not top of his current worries.

total costs of around £2.75m, there will be yet another financial crisis. The Fringe too, which this year embraces 913 shows, has noticed slow forward bookings.

Something strange is happening at the Festival. The Assembly Rooms is becoming its artistic as well as its social heart. While the official Festival kicks up its skirts and puts on fringed things, such as Michael Clark's dancers, Lenny Henry, and an operatic version of Berkeoff's Greek (which Berkeoff has typically washed his hands of), the Assembly Rooms is presenting figures from the modern establishment...

Which brings us to this year's attempt by the Fringe to shock the Morningside ladies - and Burdett-Coutts' only moment of concern to date. As Chris Lynam of The Greatest Show on Legs was tastefully climaxing his performance on Monday by lighting a roman candle clamped in his buttocks, the fire alarms went off, activated by the smoke. The Rooms had to be cleared. To avoid such a mishap in future Lynam repeated the trick on Wednesday in the street outside, perched on a parked car. But these days Edinburgh just yawns at that old joke.

One other change at the Festival is the absence of impresarios from London casting an eye over new talent. Burdett-Coutts has spotted producers from plenty of European countries, and the stars of week for one, Circus Oz, are already destined for Denmark, but Edinburgh's role in breaking stars has dwindled. It has been replaced, oddly enough, by BBC Radio. Most of the talk about names, especially among the stand-up comics, have already been blooded on the airways. They use Edinburgh to perfect their live performances. These are the talents that will make it to London.

Choreographer Sir Frederick Ashton, who has died at the age of 83. He revived his ballet Ondine at Covent Garden last year.



Choreographer Sir Frederick Ashton, who has died at the age of 83. He revived his ballet Ondine at Covent Garden last year.

Sir Frederick Ashton

It was Anna Pavlova, said Ashton, who "injected the poison" of dance into his veins. This happened when the 11-year-old Ashton was living in South America, where he was born in 1904. It was not until a conventional English education and a first attempt at a business career had failed as an antidote to the poison that Ashton was able to take up dancing. In class, first with Massine and then, when Massine left London, with Marie Rambert, Ashton was to be the first of Rambert's "discoveries." She manoeuvred Ashton into making his first choreography, A Tragedy of Fashion, for Nigel Playfair's revue Riverside Nights, in 1926.

When he returned to London he rejoined Rambert, but in 1925 he moved to Sadler's Wells and the infant national ballet, directed by Ninette de Valois, an association which lasted until his death. To the Vic Wells Ballet Ashton brought classic sensibility, musicality and wit, all of which was to be capital in shaping the dance style of both the company and its leading dancer, Margot Fonteyn.

The Fonteyn/Ashton partnership was to beget marvels for three decades; the association with Constant Lambert and Sophie Fedorovich - treasured advisers and collaborators - was no less crucial. After wartime service in the RAF, Ashton took up residence with his company at Covent Garden. After Symphonic Variations (1946), a key work in fixing the identity of the English classical ballet, Ashton's genius seemed to flower, and he assumed increasing responsibility in developing the national ballet which he was, after Ninette de Valois's retirement in 1964, to direct for seven years.

Ashton's full-length works - Cinderella, Sylvia, Ondine, La Fille mal Gardée, The Two Pages and his Romeo and Juliet for the Royal Danish Ballet - were a major development in Western ballet. In them Ashton provided an extension of the ballet's manner. His shorter creations were marked by exceptional skill in craftsmanship, by a lyricism and a perfection of taste that mark him as one of the great English poets. As a dancer Ashton was always elegant, in such varied roles as the Spectator in his own Ondine, or Kaschey in Firebird, in his portrait of an Ugly Sister in his Cinderella he showed himself an actor of wit and sensibility. These were also among his qualities as a man. He wore the honours and accolades which came to accredit his genius with an engaging lightness; he was incapable of being either pompous or dull, and he inspired - and deserved - an unflinching and loving devotion from everyone who worked with him or knew him. His ballets remain a priceless heritage for British ballet.

Clement Crisp

Art Galleries

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A hot Midsummer Night

The Royal Exchange Theatre of Manchester has provided the Edinburgh Festival with a perfectly adequate A Midsummer Night's Dream in the Assembly Hall. Gregory Bensov's production is the best work I have seen in this venue since the Glasgow Citizens' Karl Kraus extravaganza.

contrasted by Susan Spiegel and Robert Clare in A Midsummer Night's Dream. The woodland adventure entices their hair and bejames their petticoats. They resemble, respectively, a tall and short version of Tenniel's Alice, a character for whom size was also a matter of fickle puzzlement.

of this bed. Miss Victory generously submitting to languid impulses while her attendants fit and flutter round the unexpected beast. The darkling invasion of elemental forces is conveyed in clouds of mist and the spookily compelling soundtrack by Mark Williams. Similarly, after the play within a play, the choreography of Stuart Hopps wittily entwines the mortals and the mechanicals in the bergomask. The symbolic interweaving of the play's narrative strands is well judged. But inexperience is betrayed in the great third act quarrel scene.

Michael Coyne on a dramatic feast at the Edinburgh Festival. Contrasted by Susan Spiegel and Robert Clare in A Midsummer Night's Dream. The woodland adventure entices their hair and bejames their petticoats. They resemble, respectively, a tall and short version of Tenniel's Alice, a character for whom size was also a matter of fickle puzzlement.

Graham Sinclair's Bottom, large-limbed and dominantly energetic, is a loveable artisan who fails to sound the deep charges of erudition and transformation in a huge grey donkey's head and practical froter. David Keys as Puck finds new comedy in the interlude thanks to a well-timed collapse on Bottom's groin.

peculiarly adventurous new production of South Pacific. The setting is the island of Sado off the main North West Japanese coast where, during the medieval period, the playwright Zeami (1363-1443) was banished in old age. Here he wrote many Noh plays. The latest of these is apparently The Tempest, and the entire action, instigated at Prospero's bidding, erupts as a Noh drama on a pavilion peopled with musicians, sprites, gorgeous goddesses and demons.

has presented coherently spectacular melt-downs of traditional Japanese forms. Here the language of Noh is deliberately employed as a referential device. The revolting clown's process in mock dignity along a platform, led by Caliban in a long scaly fish tail; Ariel flies back and forth like Peter Pan.

Prospero's cell is a romanticised inset of rocks and water, his repertoire of masques running from strew nymphs, kimono-clad deities, cuddly hell hounds and the spectacular shipwreck, worthy of Drury Lane in its Victorian heyday, that simply rears up and vanishes as if in a dream.



Susan Spiegel and Robert Clare in A Midsummer Night's Dream

Schubert's mirage

Max Loppert on an operatic disappointment

The South Bank's annual summer music festival, SummerScope, has this year Jeffrey Tate as artistic director, and is devoted to a celebration of Schubert and Britten. It was the former who launched the series, on Thursday, the first of the operas, given in Britain by Oxford students two years ago, receiving its British first professional performance.

Vienna Festival; and perhaps that should be visited before Fierrabras is consigned to the list of opera's most frustrating mirages. The so-called semi-tagging devised by Michael Benison for SummerScope was all too complete, and of quite breathtaking idiocy: the opera was transformed into a "Let's Make An Opera" evening of amateur dramatics round

Records. Schubert: The Complete Songs Volume 1. Baker, Johnson. Hyperion CD 38001 (1 CD). Schubert: The Late Piano Sonatas (D888, D959, D960); Drei Klavierstücke D946; Allegretto D915. Pollini. Deutsche Grammophon 419 229-2 (2 CDs).

Baker can provide these days. There is no doubt, especially in the more outgoing pieces such as "Der Fischer," that this is an older voice than we heard from her. But the desire to make music out of every item, no matter how small, is a treasureable gift, and one to which Johnson responds handsomely.

The solo singing of the large cast was mostly undistinguished (once again the technique of John Graham-Hall, cast here in the romantic-tenor role, gave cause for anxiety) intermittently boosted by some sturdy work from the American tenor Thomas Moser in the unworshipping title role, and from the baritone Roland Hermann (though he had to struggle with the high-lying lines of Act 2) as Roland. Mr Hermann's command of his native tongue and Mr Moser's idiomatic utterance of German showed up the surrounding mangling of spoken dialogue.

Radio Misery and medicine. Last week I wrote about how some listeners were finding the current crop of radio plays somewhat depressing. Pursuing this a stage further, I wonder what was the idea of scheduling Nick Ward's Apart from George (Radio 4, Monday) for a summer evening. George (Matthew Scurlfield) is a labourer, just laid off after 30 years in employment. His wife Pam (Amanda Brown) has been taken on as charwoman, perhaps out of misplaced sympathy, by George's former boss. Their schoolgirl daughter wants nothing so much as to leave their home in the Fens.

Chess Solution No. 736. 1 R-KB1, K-Q5; 2 Q-Q3 check, K-K4; 3 P-B4 mate. If 1... P-K4; 2 R-QN1, K-Q5 (P-K5; 3 QxP; 3 Q-Q3. If 1... KxP; 2 R-N1 check, K-R3 (K-B5; 3 Q-Q3); 3 Q-R2.

Voyage to the heart of a flawed genius

Perhaps that controversial recent television biography had a point after all. The Schubert that it showed was recognisably the same in outward characteristics, short in stature, pasty in complexion, the eyes hidden defensively behind a pair of thick spectacles; but inside the man we thought we knew so well seemed to have been eaten away and another, less lovable and sympathetic, had taken his place.

inferred for the singer in question. The first die in the series falls to Janet Baker, a better choice, for seizing the imagination and implanting a properly adventurous tone in the collector's mind, could not have been made. There has never been anything complacent in this artist's work and she sets about her task with a questing zeal that makes each piece seem urgently new and important.

worked hard in this important release of the three great last sonatas to find a specifically Schubertian style of his own. Any tendency in the past for his playing to sound glacial has been put to rights. The sound that he produces from the instrument has undergone a gentle, but decisive thaw: not enough for his playing to lose its habitual glinting clarity of sound, but sufficient to conjure the essential qualities of intimacy and tenderness.

Nicholas Fairman. Baker can provide these days. There is no doubt, especially in the more outgoing pieces such as "Der Fischer," that this is an older voice than we heard from her. But the desire to make music out of every item, no matter how small, is a treasureable gift, and one to which Johnson responds handsomely.

Chess Solution No. 736. 1 R-KB1, K-Q5; 2 Q-Q3 check, K-K4; 3 P-B4 mate. If 1... P-K4; 2 R-QN1, K-Q5 (P-K5; 3 QxP; 3 Q-Q3. If 1... KxP; 2 R-N1 check, K-R3 (K-B5; 3 Q-Q3); 3 Q-R2.

SPORT

Sailor Smith goes back to the basics

Olympic yachting: Keith Lawrie meets a big-boat man who feels the need to think small again.

REPUTATIONS for winning take years to acquire. Once polished and burnished, such an aura gives any competitor an edge, even in a race between equals.

touch, less sharp." Smith said from his training base on the Solent. "So much of it in big-boat racing is hardware and technology. What you need to put yourself right back in touch with your own skill is fleet racing, where all the boats are going very much the same speed - and that's what Solings do."

"People will say I poached him to do Chris in, but I wouldn't have got Jerry Richards if Law hadn't already blown out. He couldn't do Blue Arrow and the Olympics whereas I had a clear field," said Smith, slightly uneasy with the question. In the event, Blue Arrow's demands on Law led him to withdraw before final selection.

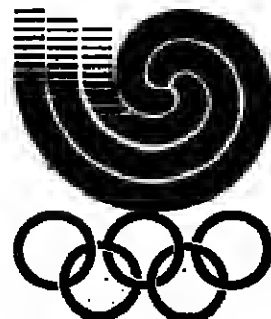
Smith did not decide to enter the Olympic selection race until last February, by which time most of his rivals were well into the second year of well-orchestrated Olympic campaigns. His principal rival was Chris Law, who also had major commitments with the Blue Arrow America's Cup boat.

Smith's natural talent - leading British 12-metre designer Ian Howlett says Smith makes any boat go faster than anyone with whom he has ever sailed - tended to put him in the driving seat aboard whatever boat he sailed as a youngster. He now thinks that was a mistake.

Smith takes his right to be there almost for granted, but warns a medal-hungry British public against expecting him to bring home the bacon. "No-one who was well-informed would predict us as medalists. It's a steep learning curve against people who have dedicated their lives to this class," he says.

Lawrie Smith: he's worried about getting out of touch as soon as Seoul is over he steps full-time into the spotlight as the newly-appointed skipper for Rothmans - the only new and competitive British yacht in next year's Whitbread Round the World race.

Some of our opponents won't know what to do with themselves if they don't get up on the rostrum." He laughed at this point. If a devil-may-care approach combines with God-given talent, the effect may be overwhelming. Smith, Lawrie. A fiver each-way.



A MACHINE at the peak of purpose-built, technology-packed design, ridden by brave and skilful athletes? Or a vehicle of cunning cruelty driven by head-bangers?

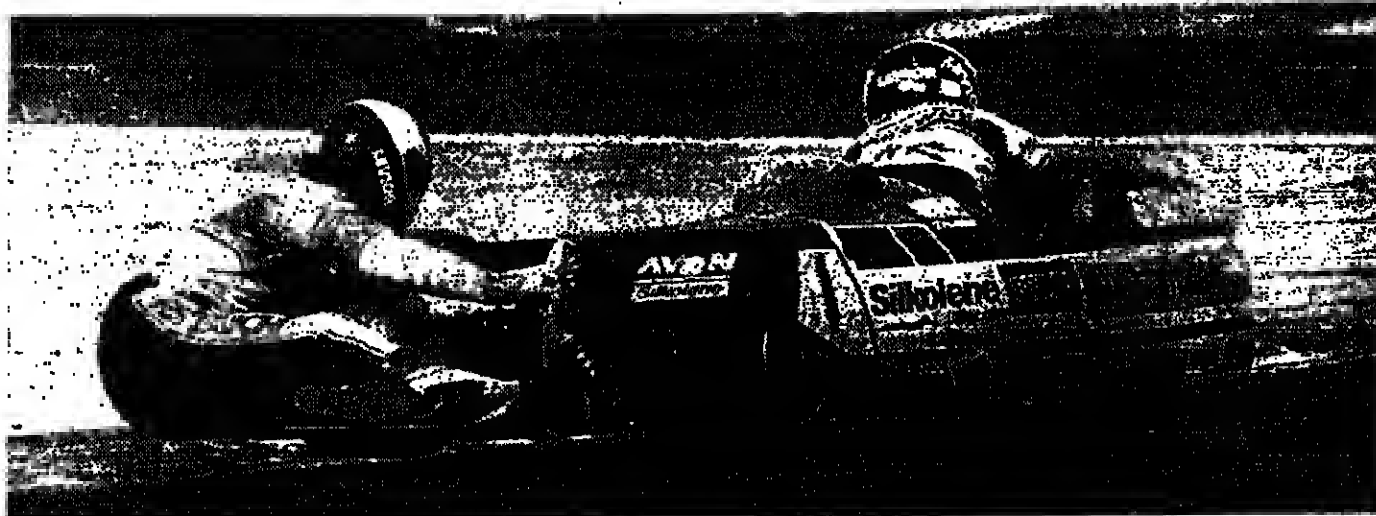
Sport? It's torture on three wheels!

Nick Garnett takes a look at sidecar racing

last year when they confounded the odds and became sidecar world champions. This season, the Brits have won the past two grand prix but will almost certainly relinquish the title because Rolf Biland, the 37-year-old Swiss driver and four-times world champion, has dug from his machine more horsepower, more torque and more speed.

Sidecar racers do not like you saying this, but the machine is hardly a bike at all. It is more like a three-wheeled racing car. With its plastic and kevlar body, it looks space-age. Take the body off and it is a torture rack.

There are only a few things to contend with, apart from steering. Heat from the exhaust pipes can eat through plastic and burn the thigh. "I've seen some riders come in on fire, their leggings smoking," Webster says. That has not happened to him in seven seasons of racing, but there is also the worry of slipping your right foot too far down the gearshift lever. "It's open to some times feel your toes scraping



World champions Tony Hewitt and Steve Webster... sometimes, the riders can catch fire from the red-hot exhaust pipes

the tarmac - which is very nice, thank you, at 160mph. It is not too bad for the driver, if anyone has a real stomach-churning job, it is the passenger. Hewitt has a pad square in which he does all his manoeuvring. The pad has small lips against which he jams his feet to get those awkward, ankle-bending positions - two small grab handles being the only things between him and a backward tumble

under the wheels of a following machine. The radiator, pouring out hot air, is wedged up against the passenger's face. When he leans over behind the driver to take the right-handers, Hewitt is spreadeagled over the gas tank - which holds nine gallons of aviation fuel mixed with four star petrol.

Hewitt goes through a pair of boots every three or four races; the tips are ripped to shreds when feet make contact with the road, particularly over a track's humpy parts. Hewitt points to discolouring and contusions on one foot following such an incident.

the race finished I had no strength at all left in my legs. I could hardly stand. I was completely drained," Hewitt recalls. He is not a tall man and, when leaning out for the left-handers, his rump is well away from the tarmac. Taller passengers sometimes make contact. "There was one passenger who just caught one cheek on the road," says Webster. "It tore his backside open."

CROSSWORD

No. 6,713 Set by CINEPHILE. Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday August 31, marked Crossword 6,713 on the envelope, to the Financial Times, 10 Cannon Street, London EC4A 3DF. Solution on Saturday September 3.

Crossword grid with numbers 1-27 indicating starting positions for clues.

- 1 Joke about an oriental's oriental (9)
2 Sort of status that's odd enough to be valid (6)
3 Some means of regulating language (5)
4 German's city's docked one friend of local government (9)
5 Bird to split high pressure area? (8)
6 Tree or man of local government (5)
7 Move your head? It doesn't seem honest (6)
8 Take over from man of local government, old - about fifty-one (7)
9 Love taken from love-apple, before church, going together (2,5)
10 Rubber stone used for motorway in colour (6)
11 'Ow-d'ye-do at a Scottish town (5)
12 William takes in a gun 1 breaks, with double tongue? (9)
13 Like X for circum-flex? (9)
14 Sound of change in church (6)
15 Give up rule about pois (6)
16 Awful rage about new year where decisions are difficult (4,4)
17 DOWN
18 Bird accepts cut in transport (5)
19 Ribbon for false apostle? (8)
20 Turning man into pink frog is benevolent (3-6-6)
21 Do me wrong and talk about it, who knows when? (7)
22 United Nations' explanation about broken lip is not flattering (15)
23 Answer concerning strand (6)
24 Mother bird and solvers put up with nonsense (8)
25 What absence is said to do to last listener (6)

Word search puzzle with grid and clues: 1. Joke about an oriental's oriental (9), 2. Sort of status that's odd enough to be valid (6), etc.

TELEVISION & RADIO

SATURDAY

BBC1 8:25 am The Kid, 8:30 The Family News, 8:35 The Muppet Babies, 8:40 Lip Lip, 10:00 Cartoon, 10:30 Film: 'Encyclopedia in Japan', 12:27 pm Weather, 12:30 Grandstand including 12:35 Table Tennis (English & Swedish), 1:30 News, 1:45 Hockey (The Lakes Classic) from Luton, 2:15 Racing from Clevedon, 2:30 Motor Cycling from Thurston, 2:45 Riding from Chester, 3:30 Motor Cycling, 4:00 Table Tennis, 4:30 Motor Cycling, 4:35 Athletics (Olympic Preview), 5:25 Cartoon, 5:35 News, 5:35 Regional Programmes, 5:35 First Class, 5:55 News, 6:00 Sport, 6:00 Film: 'Garry on Girls', 6:05 Shopping, 6:10 News, 6:15 News, 6:20 News, 6:25 News, 6:30 News, 6:35 News, 6:40 News, 6:45 News, 6:50 News, 6:55 News, 7:00 News, 7:05 News, 7:10 News, 7:15 News, 7:20 News, 7:25 News, 7:30 News, 7:35 News, 7:40 News, 7:45 News, 7:50 News, 7:55 News, 8:00 News, 8:05 News, 8:10 News, 8:15 News, 8:20 News, 8:25 News, 8:30 News, 8:35 News, 8:40 News, 8:45 News, 8:50 News, 8:55 News, 9:00 News, 9:05 News, 9:10 News, 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